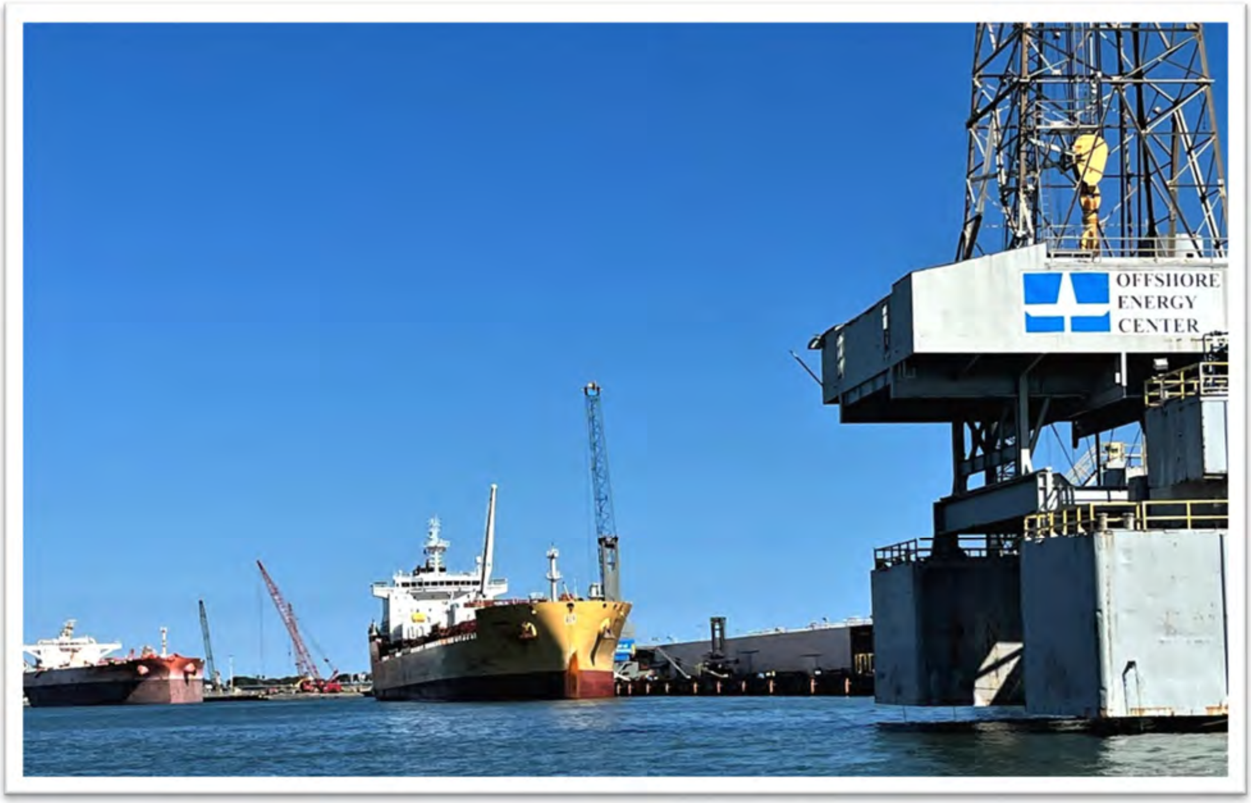
2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT

The Board of Trustees of the Galveston Wharves
A Component Unit of the City of Galveston
Annual Comprehensive Financial Report
for the Year Ending December 31, 2021

PORT OF GALVESTON
Galveston, Texas

GALVESTON WHARVES

2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT



2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ending December 31, 2021

Prepared by the Department of Finance Under the

Direction of the CFO and the Senior Financial Staff

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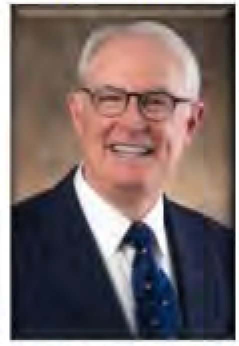
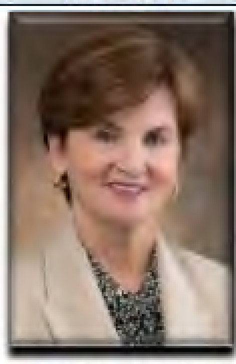
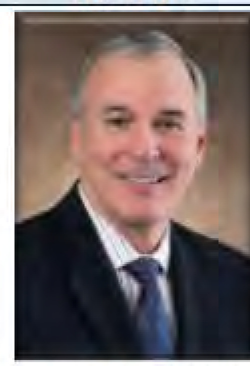
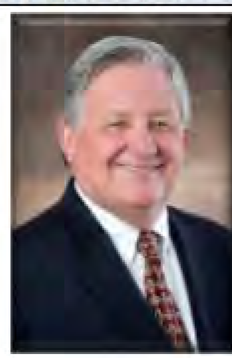
Directory of Officials

2021 Board of Trustees, Port Director/CEO and CFO of the Galveston Wharves

HARRY D. MAXWELL JR. CHAIRMAN	TODD P. SULLIVAN VICE CHAIRMAN	DR. CRAIG BROWN TRUSTEE
		
SHEILA S. LIDSTONE TRUSTEE	E.L. "TED" O'ROURKE TRUSTEE	JEFF PATTERSON TRUSTEE
		
VICTOR PIERSON TRUSTEE	RODGER REES PORT DIRECTOR / CEO	MARK R. MURCHISON CFO
		

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Directory of Officials (continued)

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For the Year Ending December 31, 2021

OFFICERS AND EXECUTIVE STAFF

Rodger Rees, Port Director / CEO
Brett Milutin, Deputy Port Director
Angie Ramirez, Executive Assistant – Board of Trustees/Port Director
Mark R. Murchison, Chief Financial Officer
Jeffrey Thomas, Chief Engineer
Julio De Leon, Director of Port Mobility
William Dell, Director of Cruise Operations
Kenneth Campbell, Director of Safety and Security
Laura Camcioglu, Director of Special Projects

GENERAL COUNSEL

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

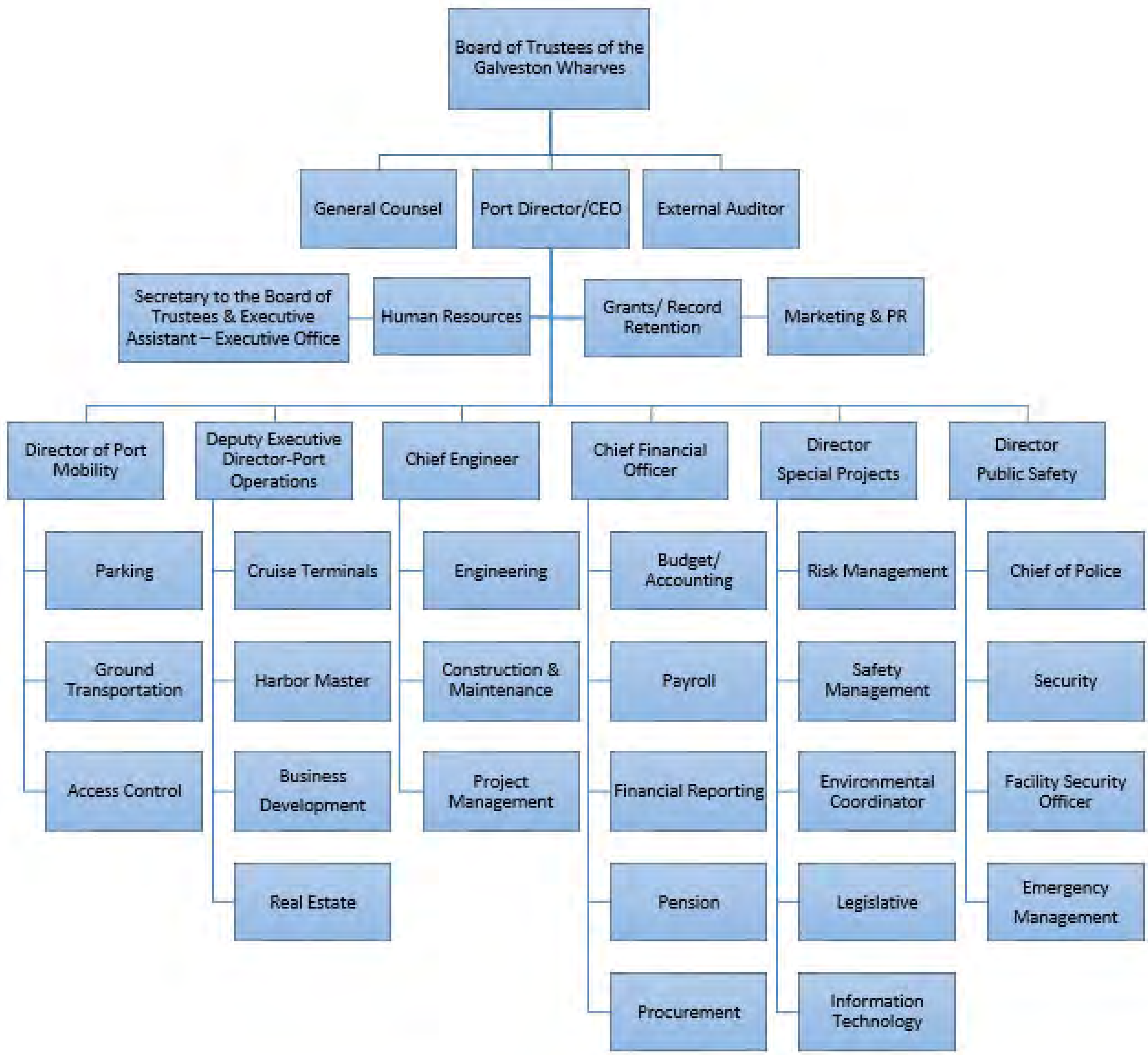
BOND COUNSEL

Bracewell & Giuliani, L.L.P.

AUDITORS

RSM US LLP

Organization Chart



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

June 28, 2022
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 (Port of Galveston) for the year ended December 31, 2021. 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, 2021. 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 2021, and therefore, an independent report related to the Single Audit Act is available for 2021.

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.

2021 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 is primarily recovered through the fees charged to the users of such goods and services. All Port of Galveston properties are located within the limits of the City of Galveston, Texas.

The 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. 2020 was a wind-down year for GPFC, and because no business activities aside for some cash receipts and a small amount of interest collections occurred in 2021, separate statements will not be presented.

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 46-foot-deep mean lower low water (MLLW) Galveston Channel provides deep water access to the open Gulf. The Galveston Channel includes two turning basins with 37 feet depth and widths up to 1,400 feet. One turning basin is scheduled to increase to 1,500 feet across in 2022. 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. Should a situation arise where actual results may vary significantly from budgeted results, the Board of Trustees may adopt an amended budget. The adoption of an amended budget occurred in the second quarter of 2021 due to the global COVID-19 pandemic.

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
Operating revenues of $31.2 million were $3.8 million over 2020, operating income of $3.2 million was $4.1 million over 2020. 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 840 acres on Galveston Island and the adjacent Pelican Island.

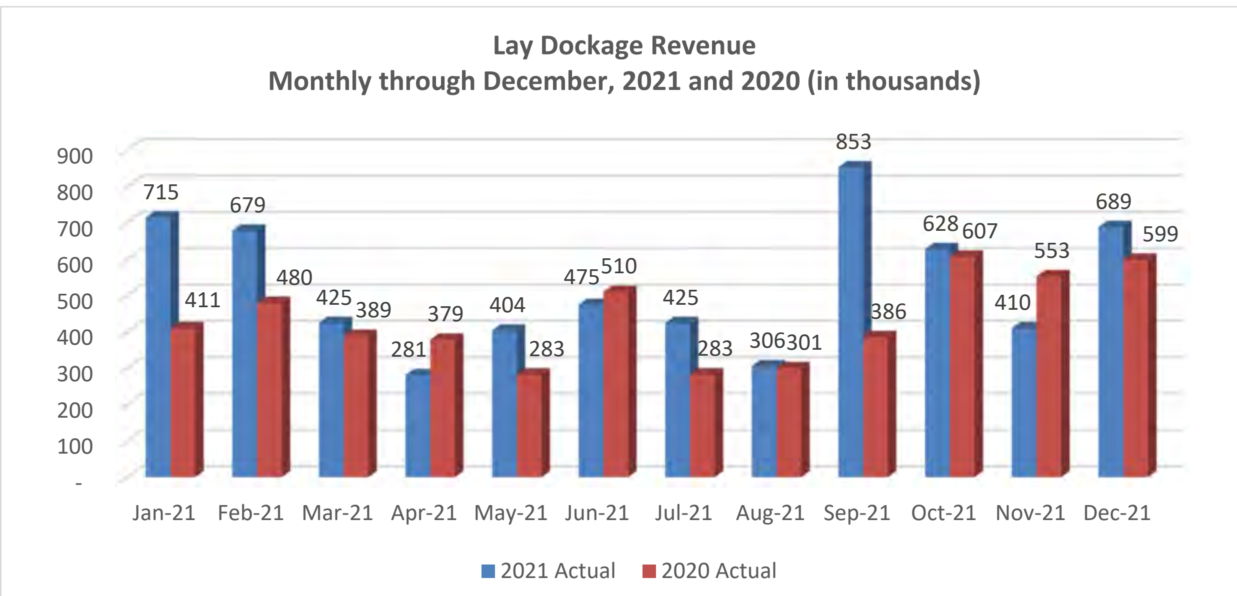
The Port focused on growing cargo and lay revenues, putting COVID-19 measures in place to prepare for the return of cruise business, cutting expenses, and preserving unrestricted cash flows from the time cruise business was shut down in mid-March of 2020 to the time cruise business returned in early July of 2021. 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 or 2021.

Cargo Growth
One of the top 50 ports in the nation and one of the busiest in Texas, the Port rose to 46th among the busiest U.S. ports and waterways according to a report by the U.S. Army Corps of Engineers, "The U.S. Coastal and Inland Navigation System 2020 Transportation Facts & Information". Notably, the Port set a new wind turbine cargo record in May of 2021, importing 529 wind cargo pieces totaling 33,444 tons. This represented a 39% increase over the previous record of 417 pieces, equaling 24,063 tons, in March of 2020. Continuing its commitment to cargo, the Port invested $2 million in cargo infrastructure by completing an infrastructure improvement project at its West Port Cargo Complex to accommodate large roll-on/roll-off (RoRo) construction and farming equipment.

The Port moved 4.8 million tons of cargo in 2021, which is up 14% overall from 2020 with Bulk Fertilizer and Liquid Bulk leading the way with increases of 43%, followed by RoRo at 24%, Wind and General Cargoes at 14%, and Bulk Grain and Bananas and Other Fruit lagging with decreases of 15% and 2%, respectively. Following is a chart showing 2021 Short Tons by Major Product Line.

2021 and 2020 Short Tons By Major Product Line				
Product Line	**2021**	**2020**	**Increase/ (Decrease) Tons**	**Increase/ (Decrease) %**
Bulk Grain	1,246,542	1,473,271	(226,729)	-15%
Bulk Fertilizer	390,868	273,569	117,299	43%
Liquid Bulk	1,989,260	1,393,261	595,999	43%
Bananas and Other Fruit	594,012	606,624	(12,612)	-2%
RoRo (Include BMW Vehicle Processing Center)	413,214	334,353	78,861	24%
Wind and General Cargoes	212,424	186,544	25,880	14%
Total	**4,846,320**	**4,267,622**	**578,698**	**14%**

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 472 lay vessels called at the Port of Galveston in 2021 compared with 461 in 2020, or an increase of 2%. Lay dockage revenues increased to $6.3 million in 2021 from $5.2 million in 2020, or an increase of 21%, following a 52% increase from $3.4 million in 2019. Following is a graph of monthly lay dockage revenues for 2021 and 2020.



Cruise Growth
Overall 2021 revenue from cruise was $4.8 million, cruise parking was $3.1 million, and ground transportation was $0.5 million for total cruise-related revenue of $8.4 million.

The cruise industry was challenged in ways that could never have been imagined due to the worst public health crisis the world has experienced in 100 years. Following record-setting total cruise passengers of 1,091,622 in 2019, 2020 saw a decline down to 225,643 passengers following the temporarily shut down of cruise in mid-March. Even though 2021 saw an improved passenger count to 565,090, this is still almost 50% below the record set in 2019.

The Port of Galveston installed the following equipment in its cruise terminals during the temporary cruise shut down: 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; NanoSeptic continuously self-cleaning sanitizers for elevator push buttons, door handles, and water faucet push bars. All of this equipment was installed to prepare for the implementation of strict health and safety protocols when cruising resumed.

According to a report published by Cruise Lines International Association (CLIA), "2021 State of the Cruise Industry Outlook", the global impact of Covid 19 cruise suspension included $77 billion in economic activity, 518,000 jobs, and $23 billion in wages. Every 30 cruisers equals 1 job.

According to the 2021 CLIA report, 74% of cruisers are likely to cruise in the next few years and 2 out of 3 cruisers are willing to cruise within a year. This shows the resiliency and strength of the cruise industry.

Cruise ships gradually resumed operations around the world with strict protocols in place, including resumed safe and sustainable sailing from the Port of Galveston on July 3, 2021, by the Carnival Vista. The Carnival Vista was the second ship to sail from U.S. ports, and the first Carnival ship to sail from any U.S. port. The Carnival Vista was followed by the Carnival Breeze on July 15, 2021, the Royal Caribbean Independence of the Seas on August 15, 2021, the Carnival Dream on September 19, 2021, the Royal Caribbean Liberty of the Seas on October 3, 2021, and the Disney Wonder on November 19, 2021. The Royal Caribbean Independence of the Seas was replaced with the Royal Caribbean Adventure of the Seas on November 8, 2021.

In August of 2021, the Port broke ground on its third cruise terminal, a $125 million, 161,000-square-foot building. The Port is adding 1,120 cruise parking spaces adjacent to terminal 10. Along with 3,255 cruise parking spaces and 1,579 non-cruise parking spaces that are currently available, the Port will have a total of 5,954 parking spaces. 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. Royal Caribbean's *Allure of the Seas* is projected to begin sailing from the new terminal at Pier 10 when it opens in the fourth quarter of 2022.

City of Galveston Local Impact

City of Galveston local impact declined due to the decrease in cruise passengers in 2020 and 2021. However, the growth in cargo from 4.0 million tons in 2019 to 4.3 million tons in 2020 represents a 6.2 percent increase, increasing further to 4.8 million tons in 2021, representing another 13.6 percent increase. ILA labor hours increased from 453,541 hours in 2020 to 566,098 hours in 2021, or an increase of 25 percent.

Since 2012, the Port has made direct payments of approximately $73.0 million to vendors located within the City of Galveston. This is an average annual expenditure of $7.3 million local spend over the past ten years. Removing non-operating payments like insurances, notes and bonds, 33 percent of the Port's 2021 annual expenditures were paid to local vendors. Additionally, the Port operates cruise parking lots subject to sales tax through which the local government receives 2 percent of parking revenues, or $51 thousand in 2021, up from $38 thousand in 2020. Sales taxes paid to the local government increased dramatically with the return of cruising in July of 2021.

Strategic Master Planning and 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 and 2021, most aspects of the Port's strategic master plan were effectively moved back a year. The Port is full steam ahead with several projects started or completed in 2021. The East Port project related to Cruise Terminal 10 is a great example of a successful public-private partnership. Royal Caribbean is building the $125 million 161,000-square-foot terminal, and the Port is spending in excess of $20 million for pier repairs, site work, utilities, and additional cruise parking. Of the dozen or so East Port major projects included in the master plan's first phase, 90 percent are underway, with 15 percent of those projects completed.

Mid Port projects include funding of $2.5 million to complete a portion of interior roadway, build a beautiful new entrance to the existing cruise terminal areas, and making Cruise Terminal 25 (formerly Cruise Terminal 1) walkway improvements. These active projects account for 13 percent of all Mid Port projects. Still to come is more interior roadway work, as well as parking and pier improvements.

The West Port is identified in the master plan as our major cargo area. The Port consolidated more cargo activities into the West Port area in 2021, including roll-on/roll-off cargo previously located at Pier 10. A portion of the interior roadway was completed to serve that area, as well as facilities for the roll-on/roll-off cargo tenant. The Port is seeking an additional $30 million in funding to maximize the area by filling slips and expanding ground and rail infrastructure.

The Port received approval of a federal $1.2 million Port Security Grant related to License Plate Recognition and Cyber Security Upgrades, and a Texas Department of Transportation $3.75 million grant related to the East End Cruise Corridor connecting to Cruise Terminal 10 in 2021. 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.

The Port continues to actively pursue federal, state and local grant funding opportunities to assist in future additions and improvements to its facilities. As cash flow from operations return to pre-pandemic levels, the Port may consider expanding the existing debt program for the purpose of future additions and improvements to its facilities.

The Port refunded its Series 2011 Revenue Bonds and Series 2014 Revenue Notes in 2021. The Series 2021 Refunding Revenue Bonds are structured so that the Port makes four payments of $1.1 million from November 1, 2021 through February 1, 2022, followed by payments averaging $.4 million per month beginning March 1, 2022 with final payment occurring February 1, 2026. The refunding resulted in present value savings to the Port of $1.5 million.

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. The Port was certified in May of 2021 and is only the second Texas port to gain this certification. The American Association of Port Authorities (AAPA) presented the Port of Galveston the Lighthouse Award of Distinction for its first Green Marine certification. Major environmental initiatives underway include shore power, fleet transition to low emissions, phased approaches to 100 percent clean energy, and installation of electrical vehicle charging stations.

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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, 2020. This was the 28th 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 2021 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morrill

Executive Director/CEO

2021 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. This gives the Port cash reserves to draw on as needed.

Year	Unrestricted Cash Reserves (in Millions)
2018	12.7
2019	20.3
2020	23.6
2021	27.5

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. 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 in the U.S.

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,

Mark R. Murchison
Chief Financial Officer

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Ground Breaking Celebration for Cruise Terminal 10, the Royal Caribbean Terminal with Projected Opening in the Fourth Quarter of 2022

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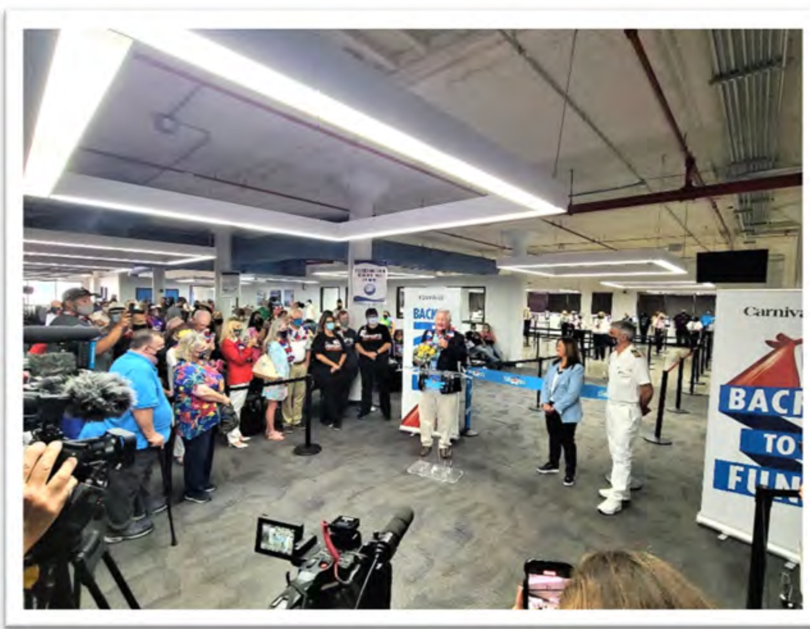

Christine Duffy, President of Carnival Cruise Line, and Rodger Rees, President & CEO of the Port of Galveston, address cruise passengers boarding the Carnival Vista on July 3, 2021 – Carnival's first sailing from a US Port following the resumption of cruise line sailings

GALVESTON WHARVES

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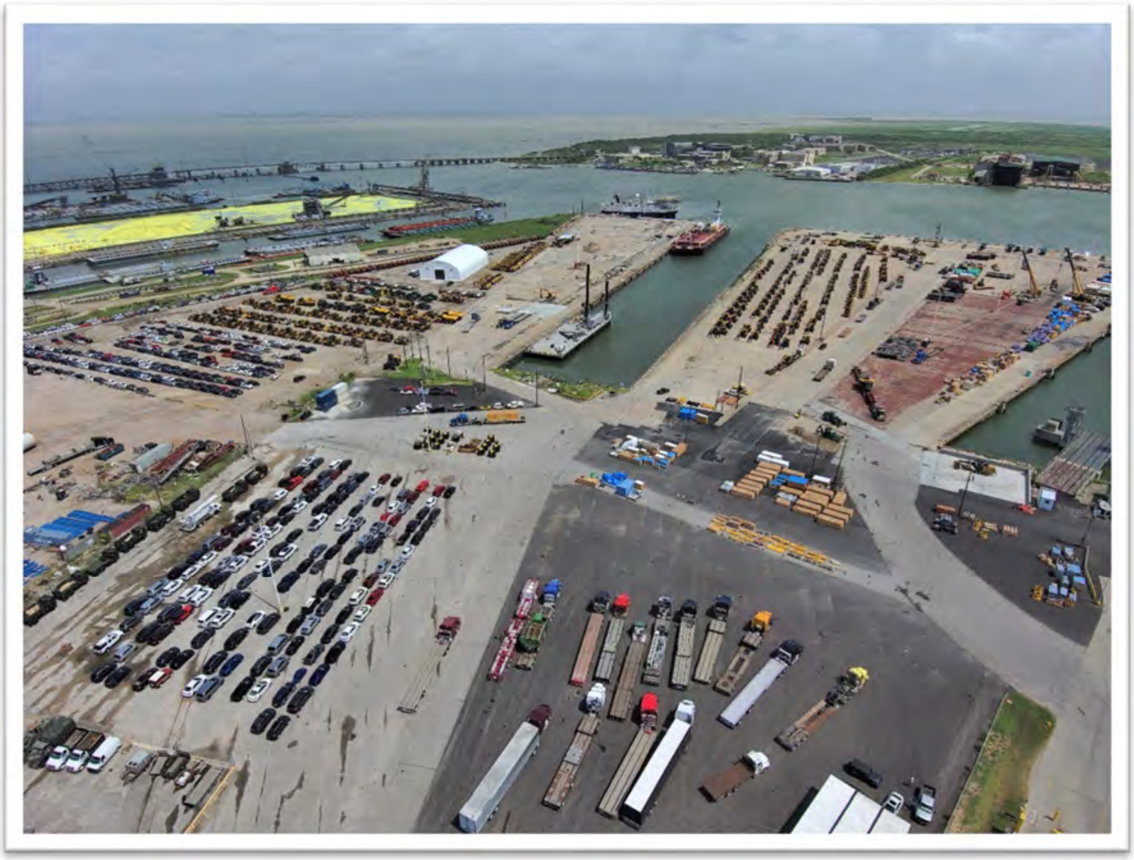
Financial Section



Port of Galveston
Galveston, Texas

GALVESTON WHARVES

Independent Auditor's Report

Board of Trustees
Board of Trustees of the
Galveston Wharves

Opinions
We have audited the financial statements of the business-type activities and fiduciary activities of the Board of Trustees of the Galveston Wharves (the Port), a component unit of the City of Galveston, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above, present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Board of Trustees of the Galveston Wharves, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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
Management is responsible for the other information included in the annual report. The other information comprises the accompanying introductory and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

RSM US LLP

San Antonio, Texas
June 28, 2022

2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Management's Discussion and Analysis

Port of Galveston
Galveston, Texas

GALVESTON WHARVES

Financial Highlights

Cruise revenues remained lower than pre-pandemic years in 2021 due to the temporarily shut down of this business line. Beginning in July 2021 a gradual and successful return to cruise has occurred. Due to increases in cargo and lay business, the Port saw record-setting wharfage and dockage revenues in 2021. Overall, the Port posted operating revenues of $31.2 million, up from $27.4 million in 2020, and operating income of $3.2 million, up from an operating loss of $825 thousand in 2020. Wharfage revenues of $4.5 million were $1 million over 2020, and the highest year on record. The Port handled 4.8 million tons of cargo, up 0.6 million from 2020. Dockage revenues of $10.3 million were $2.0 million over 2020, the second highest year on record. The Port hosted 347 cargo vessels, compared with 283 vessels in 2020, an increase of 23%. Also calling on the Port were 472 lay vessels, compared with 461 vessels in 2020, an increase of 2 %. While cruise calls were far from pre-pandemic levels, the Port hosted 127 cruise vessels, compared with 63 vessels in 2020.

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 fiduciary fund represents a trust responsibility, the assets are restricted in purpose and do not represent discretionary resources of the government. Therefore, these assets are not presented as part of the Port's business-type activity financial statements.

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.

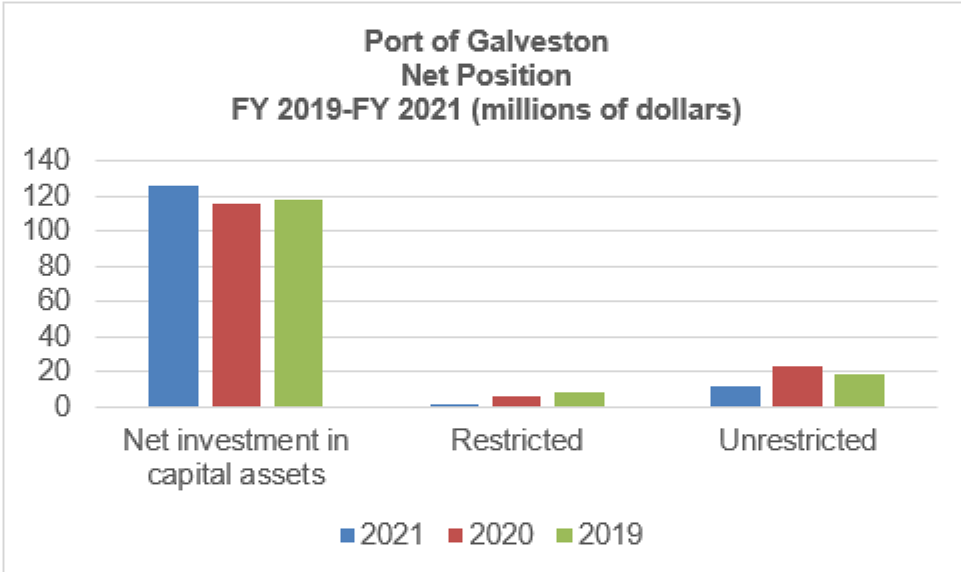
Other Information

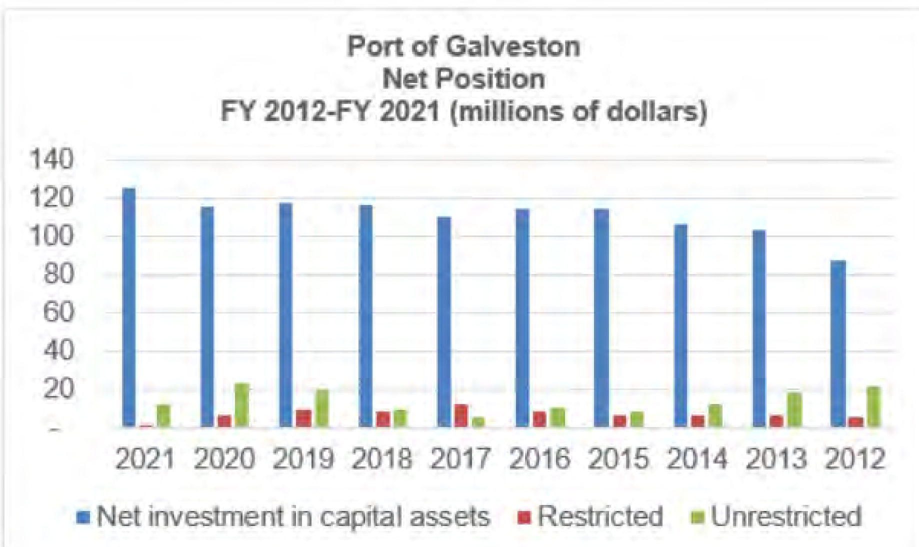
In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) immediately following the basic financial statements and related notes section of this report. RSI provides trend information related to the Port's benefit plan.

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)
	2021	**2020**	**Over Prior Year**
Current assets	$ 43,012	$ 45,340	(5%)
Capital assets	145,554	142,292	2%
Other noncurrent assets	838	1,062	(21%)
Total assets	189,404	188,694	0%
Deferred outflows of resources	258	363	(29%)
Current liabilities	27,693	12,745	117%
Noncurrent liabilities	19,676	27,880	(29%)
Net pension liability	1,461	1,711	(15%)
Total liabilities	48,830	42,336	15%
Deferred inflows of resources	1,765	1,427	24%
Net position:			
Net investment in capital assets	126,138	119,343	6%
Restricted	1,280	6,487	(80%)
Unrestricted	11,649	19,464	(40%)
Total net position	$ 139,067	$ 145,294	(4%)





Statement of net position: The Port's net position decreased by $6.2 million between fiscal years 2020 and 2021, to approximately $139.1 million. Net investment in Capital Assets increased from $119.3 million to $126.1 million. Restricted Net Position decreased from $6.5 million to $1.3 million and Unrestricted Net Position decreased from $19.5 million to $11.6 million.

Total assets increased by $0.7 million in 2021.

- **Current assets decreased $2.3 million**.

  - Current unrestricted cash and cash equivalents increased $4.0 million attributable to an increased accumulation of unrestricted cash of $4.0 million and an increase in prepaid expenses of $0.1 million.

  - Current receivables net of allowances increased $0.6 million with a $2.0 million increase attributable to cruise due to the resumption of cruise in July of 2021, a $0.8 million decrease in port access receivables due to settlement with two cruise parking lots, and the remaining $0.6 million decrease due to miscellaneous other receivables.

  - Current restricted cash, cash equivalents and investments decreased by $6.9 million. The 2021 Refunding Bonds removed the requirement to maintain a debt reserve fund releasing $1.5 million. Changes to Debt service payments from semiannual to monthly reduced sinking fund balances by $4.2 million. Restricted Bond proceeds of $1.2 million were used for waterfront improvements during 2021.

- **Noncurrent assets increased $3.0 million**

  - Capital assets, net of depreciation, increased $3.2 million (see Note 4).

    - Additions to capital assets were $11.1 million
    - Retirements from capital assets were $3.8 million
    - Accumulated depreciation increased by $4.1 million due to normal depreciation of $7.0 million less disposals of $3.0 million.

  - Net investment in direct financing lease decreased $0.2 million.

Deferred outflows related to pension decreased $0.1 million.

Total liabilities increased $6.5 million in 2021.

- **Current liabilities increased $14.9 million**

  - Trade accounts payable and other accrued expenses increased $0.8 million; $1.3 million was due to capital related payables, $0.7 million due to non-capital and trade related payables offset by a $1.2 million decrease in the dredging equalization accrual.

  - Employee-related current liabilities increased $0.2 million due primarily to the timing of wage and benefit payments.

  - Customer payables increased $1.6 million due to the Carnival incentive fees following the resumption of cruise in July of 2021 of $1.3 million, and other smaller customer payables of $0.3 million.

  - Short-term portion of long-term debt increased by $1.6 million.

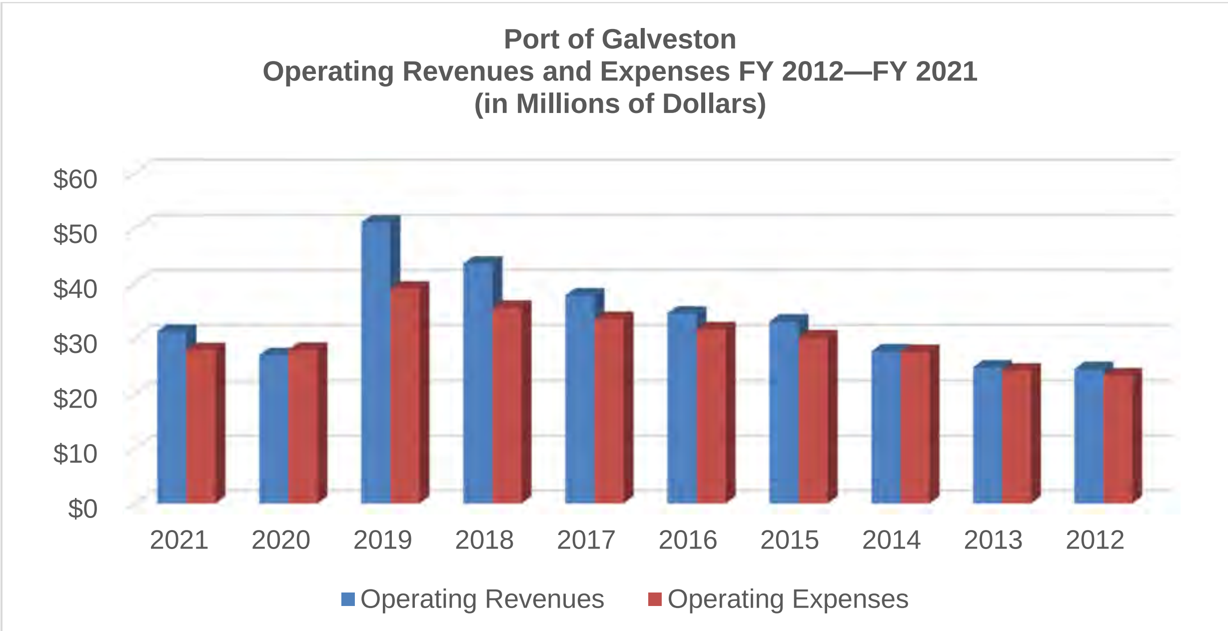
  - Due to receipt of demand notice on Federal Assistance Grant 1791 (Hurricane IKE) from TDEM, a $10.7 million current liability was recorded. A significant portion of the amount in the TDEM Demand Notice is still in FEMA's review and appeals process. The Port recorded the full amount of the Demand Notice as a current liability and as a reduction to non-operating revenues and expenses.

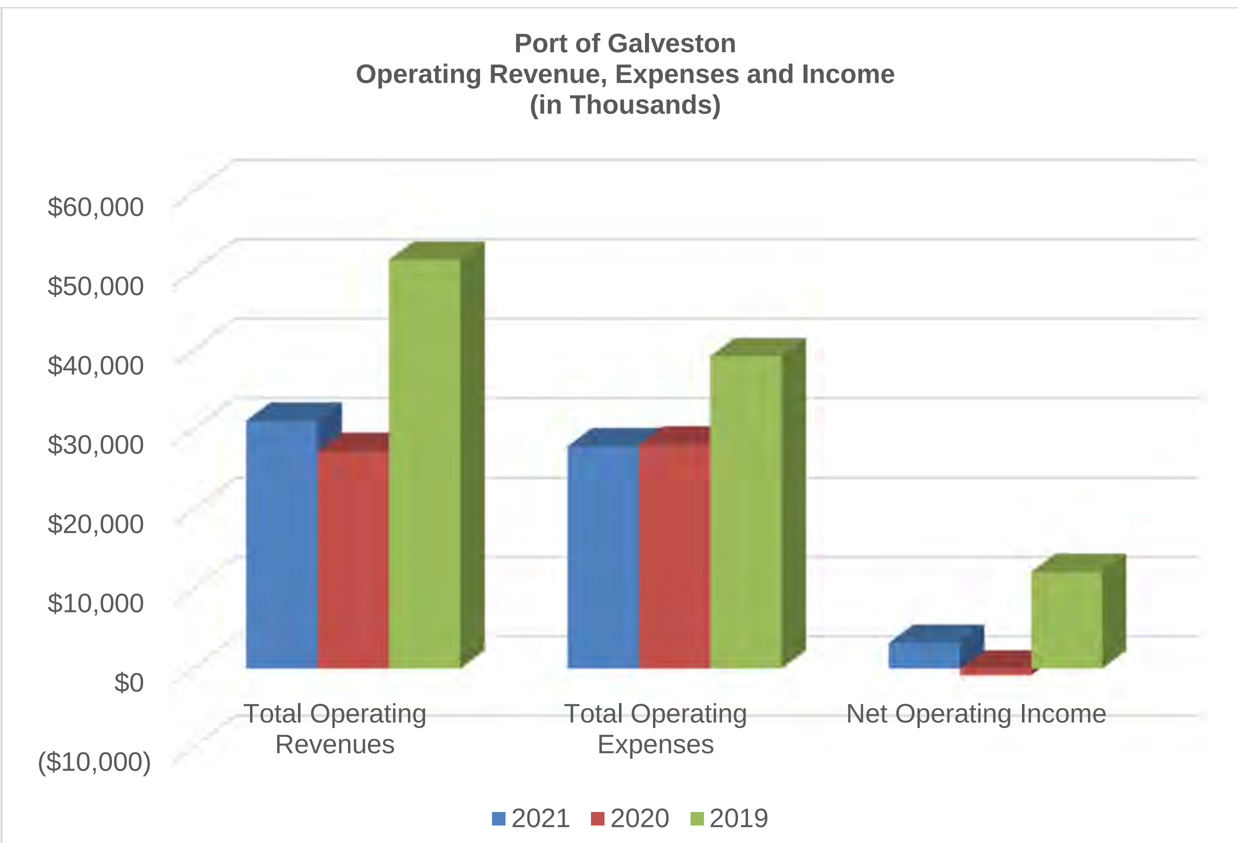
- **Long-term liabilities decreased $8.4 million**
    - Long-term debt due in more than one year decreased by $8.1 million due to the reclassification of 2021 debt service to short-term of $1.5 million and paying off debt of $6.6 million.
    - Long-term deferred revenues decreased $0.2 million due to the 2021 recognition of ADM revenues.
    - Long-term employee paid time off increased $0.1 million.
    - Net pension liabilities decreased $0.2 million based on the most recent actuarial study.

Deferred inflows of resources increased $0.3 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 2021	Business-Type Activities 2020	Increase (Decrease) Over Prior Year
Operating revenues:			
Vessels and cargo services	$ 18,943	$ 16,902	12%
Building and facilities rental and fees	12,229	10,456	17%
Total operating revenues	31,172	27,358	14%
Operating expenses:			
Personnel services	9,600	8,650	11%
Maintenance and operations	7,281	8,679	(16%)
Sales and office	4,043	4,176	(3%)
Depreciation	7,012	6,678	5%
Total operating expenses	27,936	28,183	(1%)
Net operating income (loss)	3,236	(825)	(492%)
Nonoperating revenue (expense):			
Earnings on investment	71	205	(65%)
Other income	319	46	593%
Loss on sale of assets	(792)	(24)	3200%
Interest expense	(698)	(1,236)	(44%)
Costs of bond issuance	(270)	-	100%
Annual city payment	(198)	(189)	5%
Hurricane-related income (expenses)	23	(63)	(137%)
FEMA/TDEM Claims-IKE	(10,745)	-	100%
Total nonoperating revenue (expenses)	(12,290)	(1,261)	875%
Loss before capital grants and contributions	(9,054)	(2,086)	334%
Capital grants and contributions	2,827	1,431	98%
Changes in net position	(6,227)	(655)	851%
Beginning net position	145,294	145,949	(0%)
Ending net position	$ 139,067	$ 145,294	(4%)





Total operating revenues increased by $3.8 million from $27.4 million in 2020 to $31.2 million in 2021. Total operating expenses decreased by $0.2 million from $28.1 million in 2020 to $27.9 million in 2021. Net operating income increased by $4.1 million from a loss of $0.8 million in 2020 to income of $3.3 million in 2021.

- Vessels and cargo services increased 12%, or $2.0 million, from $16.9 million in 2020 to $18.9 million in 2021.

    - 2021 passenger revenues increased $0.6 million from $3.5 million in 2020 to $4.1 million in 2021. There were no passenger embarkations or disembarkations due to the temporary loss of cruise services from March 11, 2020, until cruise returned on July 3, 2021. The number of cruise ship calls increased from 63 in 2020 to 127 in 2021, and the number of cruise passenger movements increased from 225,643 in 2020 to 565,090 in 2021.

    - Dockage increased $0.8 million, or 27%, led by liquid bulk and wind increase of $0.3 million and grain increase of $0.2 million, with other product lines showing smaller variances. The number of cargo ships calls increased from 283 to 347.

    - Lay dockage increased $1.1 million, or 21%, due to 11 additional ship calls with ships remaining in Port longer than in 2020 Port calls.

    - Wharfage increased $1.0 million, or 28%, led by a wind increase of $0.8 million, and RoRo and Fertilizer increases of $0.1 million. Short tons increased by 0.6 million tons, or 14%, led by a Liquid Bulk increase of 0.6 million tons, with other product lines showing smaller variances.

    - Ship services decreased $1.5 million directly related to the unbundling of ship services when cruising returned in 2021, whereby the cruise lines arrange their own ship services. This decrease in ship services revenue is offset by a $1.5 million decrease in operating expenses for ship services, including stevedoring, line handling, pilotage, and other fees.

- Building and facilities rental and fees increased 17% or $1.8 million from $10.5 million in 2020 to $12.2 million in 2021.

    - Rail switching decreased $0.1 million or 16% from $0.9 million to $0.8 million.

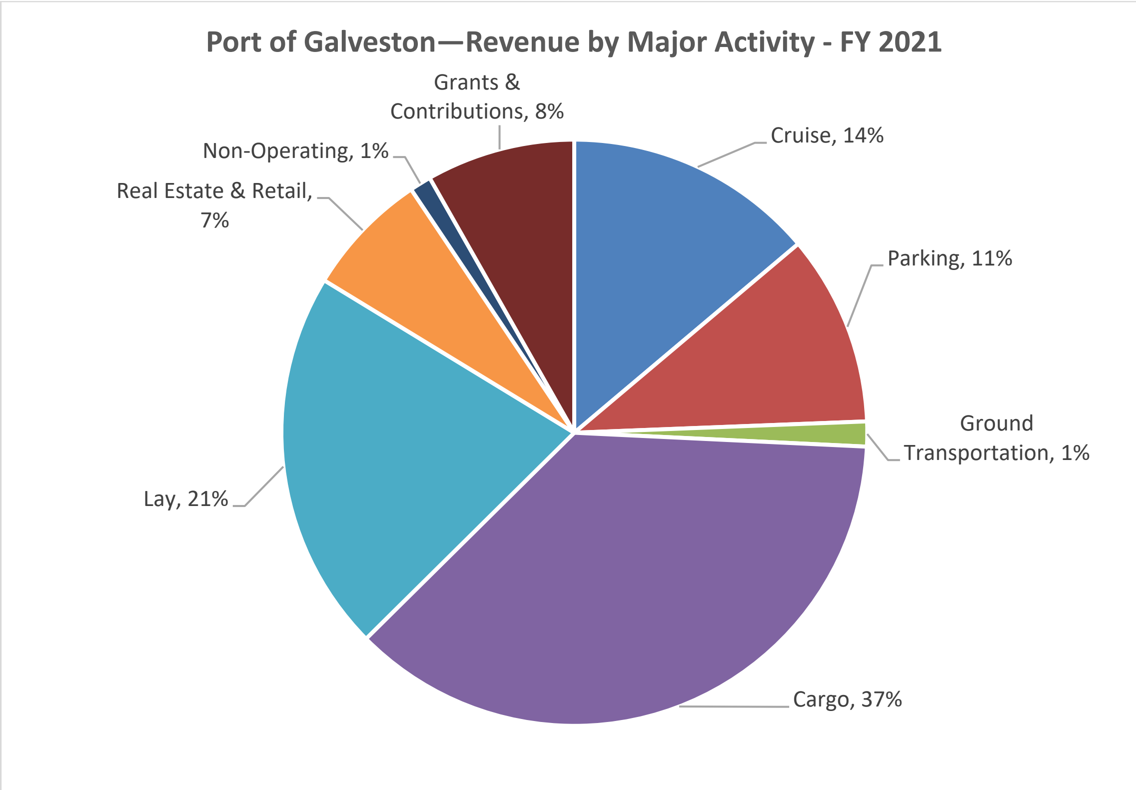
    - Parking revenues increased by $1.8 million from $1.8 million to $3.6 million due to the gradual return of cruise on July 3, 2021. The number of cars parked related to cruise increased from 21,115 to 37,679.

    - Real estate decreased $0.1 million, or 2%, primarily due the temporary loss of real estate at the Pier 10 area due to building Cruise Terminal 10 at Pier 10. Royal Caribbean International will pay the Port $4.0 million lease revenue annually for its use of the Pier 10 area, which is projected to begin November 2022.

    - Security cost recovery increased $0.3 million, or 22%, due to gradual return of cruise beginning July 3, 2021.

    - Terminal access fees increased $0.2 million, or 75%, due to gradual return of cruise beginning July 3, 2021.

    - Licenses, fees and miscellaneous decreased $0.3 million due to the Port having no tipping fees (placement of dredging materials in Port's disposal site) in 2021, while 2020 had $0.3 million in tipping fees.



Operating expenses decreased $0.2 million, or 1%, in 2021

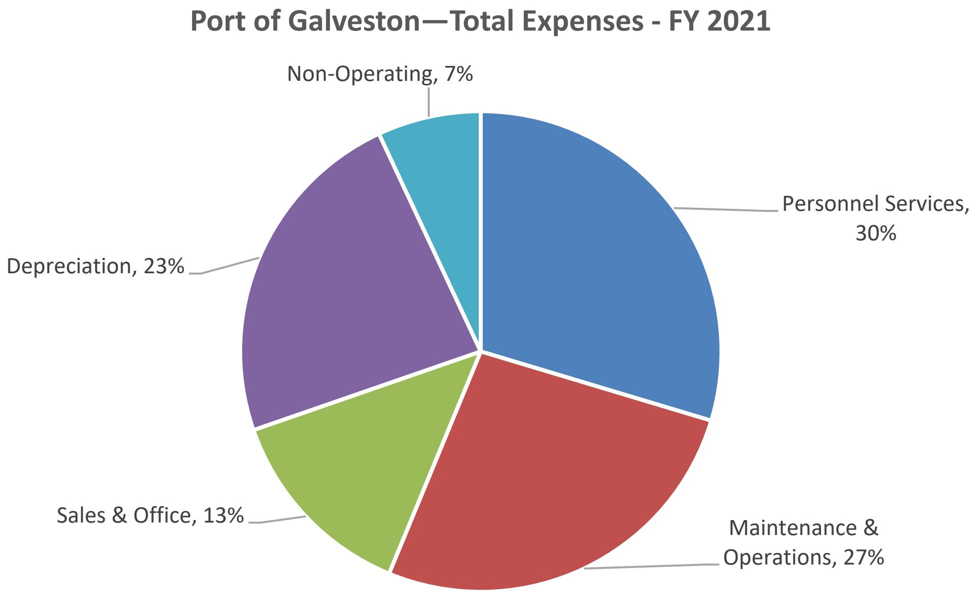
- Salaries and Related Expenses increased $1.0 million, or 11%, due to an increase of $0.5 million in Salaries and Wages related to unfilled positions being filled following the gradual return of cruise on July 3, 2021, $0.3 million due to related Health and Welfare expenses, and $0.2 million due to various other employee-related expenses.

- Maintenance and Operations expense decreased $1.4 million or 16%. Ship Services Expenses decreased $1.5 million, directly related to the unbundling of ship services when cruising returned in 2021. This decrease in ship services expenses is offset by a $1.5 million decrease in operating revenues for ship services. Previously, certain fees were bundled and included in charges per contract. Services included specific labor paid by the stevedores, line handling, pilotage, and other fees. Maintenance Dredging decreased by $1.2 million based on the Port's determination that sufficient dredging reserve was accrued. The normal 2021 dredging cycle was delayed due to the dredging of the Federal Channel. Offsetting increases include a $0.5 million increase in Insurance Expenses, $0.6 million increase in Carnival Cruise Lines Incentives following the resumption of cruise on July 3, 2021, and a $0.2 million increase to Bad Debt Expenses.

- Sales and Office Expense, excluding salaries and related expense, decreased $0.1 million, or 3%.

- Depreciation expense increased $0.3 million, or 5%, when compared with 2020.

- During FY 2021, contracts costs for police was reclassed from maintenance and operations to personnel services.



Other nonoperating revenues/expenses netted an expense increase of $9.6 million, or 650%, in 2021.

- Revenue Increase of $1.5 million—Capital Grants and Contribution Income increased by $1.4 million primarily due a $1.0 million Harvey reimbursement and Other Nonoperating income categories increased by $0.1 million.

- Expense Increase of $11.1 million—Retirement of Obsolete Equipment of $0.8 million, Series 2021 Refunding Bond Issuance Costs of $0.3 million and FEMA/TDEM claim-IKE expenses of $10.7 million were offset by Interest Expense savings due to the debt refunding of $0.5 million and other expenses of $0.2 million. The increase in nonoperating expenses reflects a reduction to non-operating revenues and expenses of $10.7 million incurred due to the receipt of a demand notice from TDEM related to Federal Assistance Grant 1791 (Hurricane IKE). A significant portion of the amount in the TDEM Demand Notice is still in FEMA's review and appeals process. The Port recorded the full amount of the Demand Notice as a current liability and as a reduction to non-operating revenues and expenses.

2021 Tonnage, Passengers and Vehicles

- 2021 Cargo tonnage increased 14% from 4.3 million tons to 4.8 million tons.

    - Grain shipments decreased by 15% from 1.5 million tons to 1.3 million tons due to 2021 Federal Channel draft restrictions. Draft restrictions are being lifted as the Federal Channel dredging is completed.

    - Bulk fertilizer increased 43% from 274 thousand tons to 391 thousand tons.

    - Liquid bulk increased by 43% from 1.4 million tons to 2.0 million tons as draft limitations in the federal channel were reduced.

    - Fresh Fruit and Vegetables decreased 2% from 607 thousand tons to 594 thousand tons.

- RoRo increased 24% from 334 thousand tons to 413 thousand tons primarily because production in foreign manufacturing countries resumed following 2020 COVID-19 shutdowns.

- Wind and General Cargoes increased 14% from 187 thousand tons to 212 thousand tons because of an additional 17 acres dedicated to wind.

- Cruise passengers movements increased 150% from 225,643 to 565,090 due to the gradual return of cruise on July 3, 2021 (a movement consists of an embarkation or disembarkation passenger).

- Parking increased 78% from 21,115 vehicles to 37,679 vehicles due to gradual return of cruise on July 3, 2021.

Fiduciary Fund

Fiduciary fund: The Galveston Wharves Pension Plan (the Plan) is sponsored by the Port. The Plan is a component unit of the Port and is reported as a fiduciary pension trust fund in the basic financial statements of the Port in accordance with GASB No. 84, *Fiduciary Activities*.

Fiduciary Fund Financial Highlights and Analysis

- Net position restricted for pensions is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. Net position restricted for pensions increased by approximately $1,155,000, or 7.4% in 2021. Investment income increased in 2021 when compared to 2020.

- Employer contributions totaled $255,702 and $365,585 in 2021 and 2020.

- The amount of benefits paid to participants increased by $28,531, or 2.13% during 2021.

- The Plan's rate of return on investments for the year ended December 31, 2021, was 15.37%, which was higher than the return of 13.09% for 2020. The actuarial assumed rate of return is 7.25%.

Condensed Fiduciary Fund Financial Information

	2021	2020	Percentage Change
Assets:			
Cash equivalents	$ 652,013	$ 298,270	118.60%
Prepaid benefits	110,276	107,159	2.91%
Investments	16,061,166	15,262,560	5.23%
Total assets and net position	$ 16,823,455	$ 15,667,989	7.4%
Additions:			
Employer contributions	$ 255,702	$ 365,585	(30.06%)
Net investment income	2,305,982	1,860,739	23.93%
Total additions	2,561,684	2,226,324	15.06%
Deductions:			
Benefits paid to participants	1,366,375	1,337,844	2.13%
Administrative expenses	39,843	50,158	(20.57%)
Total deductions	1,406,218	1,388,002	1.31%
Net increase in net position	$ 1,155,466	$ 838,322	37.83%

Investments increased by $798,606 or 5.23%, from 2020 to 2021. This was primarily due to an increase in the fair value of investments.

Net investment income increased by $445,243 or 23.93% from 2020 to 2021. This increase was primarily due to favorable market conditions in 2021 compared to 2020.

Employer contributions decreased by $109,883 from 2020 to 2021. The Plan's actuary prepares an annual valuation. As part of this valuation, the Plan actuary calculates the annual required contribution and the Plan sponsor contributes at a minimum in accordance with this calculation.

Capital Assets and Debt Administration

Capital assets: As of December 31, 2021, capital assets before depreciation, which includes both depreciable and non-depreciable assets along with construction work in progress, totaled $261 million. This is an increase of $7.3. Accumulated Depreciation as of year-end is $115.8 million, an increase of $4.0 million. The net change in Capital Assets was a $3.3 million increase. The following is a comparison of capital assets for the years ended December 31 (in 000's):

	Business-Type Activities	
	2021	**2020**
Land	$ 18,086	$ 16,499
Channel deepening	15,132	15,132
Construction in progress	7,290	2,930
Total capital assets, nondepreciable	40,508	34,561
Railway property and buildings	3,490	4,261
Wharves property and buildings	202,480	201,507
Operating equipment	10,302	9,428
Office equipment	3,760	3,504
Intangible assets	795	795
Total capital assets being depreciated	220,827	219,495
Less allowance for depreciation	(115,781)	(111,764)
Total assets being depreciated, net	105,046	107,731
Total capital assets, net	$ 145,554	$ 142,292

Non-depreciable capital assets increased $5.9 million, with $1.6 million related to the purchase of land, and the remaining $4.3 million related to increases in construction work in progress. Projects related to Cruise Terminal 10 make up $4.3 million of the construction work in progress increase. Depreciable assets decreased $2.7 million, which is the net of an increase in capital assets being depreciated of $1.3 million and accumulated depreciation increase of $4.0 million.

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

Long-Term Debt
In 2021, the Board of Trustees authorized the issuance of Series 2021A and Series 2021B (AMT) Revenue Refunding Bonds of $22.7 million. Proceeds from issuance of the Series 2021 bonds were used to retire Series 2011 Revenue Bonds and Series 2014 Revenue Notes. Debt issuance costs of $0.3 million were classified as nonoperating expenses for the year and savings over the life of the Bonds are $1.8 million. The Series 2021 principal balance was $20.5 million at December 31, 2021.

The Port is the Local Sponsor for the Galveston Federal Ship Channel. As the Local Sponsor it is responsible for the local cost share of the previously deepening of the Federal Channel. In addition to the cost share paid to the U.S. Army Corps of Engineers on previously constructed general navigation features the Port is responsible for an additional 10 percent of the cost of the Galveston Harbor Channel deepening to 45 mean lower low water. The estimated cost is $3.9 million payable over a period not to exceed 30 years. These costs are being capitalized and the liability is being accrued. As of December 31, 2021 the balance is $3.5 million.

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

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

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.

Following the return of cruise on July 3, 2021, 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. Cargo tonnage was up 14% overall from 2020, with liquid bulk and fertilizer leading at 43 percent increases. The Port had all-time record setting revenues from wharfage at $4.5 million and dockage at $10.3 million, showing increases in cargo vessels of 64, or 23 percent, and lay vessels of 11, or 2 percent.

The Port received approval for a Federal Port Security Grant and a Texas Department of Transportation Grant in 2021. It has completed work on a previously approved Port Security Grant and a Texas Department of Transportation Grant. The Port christened a police boat, the "Clay Garrison," in December of 2021, which was partly funded by a 2020 Federal Port Security Grant. While Cruise Terminal 10 was temporarily delayed due to the COVID-19 pandemic, ground was broken on the new cruise terminal in August of 2021, with scheduled completion by November of 2022 when the first ship is anticipated to sail from Cruise Terminal 10. Finally, the Port received Green Marine certification in 2021, a voluntary environmental certification program, and work will continue in 2022.

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

2021 ANNUAL COMPREHENSIVE REPORT

Basic Financial Statements

Port of Galveston
Galveston, Texas

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

Statement of Net Position—Business-Type Activities
December 31, 2021

Assets	
Current assets—unrestricted:	
Cash and cash equivalents	$ 27,519,061
Accounts receivable, net of allowance for doubtful accounts	6,139,002
Prepaid items	795,735
Current portion of investment in direct financing lease	199,146
Current assets—restricted:	
Cash and cash equivalents	8,358,880
Total current assets	43,011,824
Noncurrent assets:	
Capital assets:	
Capital assets, nondepreciable	40,508,416
Capital assets, net of depreciation	105,045,887
Total capital assets	145,554,303
Other assets:	
Net investment in direct financing lease, less current portion	838,008
Total other assets	838,008
Total noncurrent assets	146,392,311
Total assets	189,404,135
Deferred outflows of resources—pension items	258,202
Total assets and deferred outflows of resources	$ 189,662,337

(Continued)

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

Statement of Net Position—Business-Type Activities (Continued)
December 31, 2021

Liabilities	
Current liabilities:	
Accounts payable	$ 7,077,240
Accrued expenses	2,437,568
Payable to other governments	198,124
Accrued compensated absences	454,418
Unearned revenues and rents	753,050
Due to FEMA/TDEM-IKE	10,745,473
Long-term liabilities due within one year	130,325
Long-term liabilities due within one year (payable from restricted assets)	5,896,515
Total current liabilities	27,692,713
Noncurrent liabilities:	
Accrued compensated absences	542,953
Unearned revenues and rents	1,079,635
Long-term liabilities due in more than one year	18,054,249
Net pension liability	1,460,796
Total noncurrent liabilities	21,137,633
Total liabilities	48,830,346
Deferred inflows of resources—gain on refunding	100,116
Deferred inflows of resources—pension items	1,665,288
Total deferred inflows	1,765,404
Total liabilities and deferred inflows of resources	$ 50,595,750
Net position:	
Net investment in capital assets	126,137,940
Restricted for debt service	1,279,821
Unrestricted	11,648,826
Total net position	139,066,587
Total liabilities and net position	$ 189,662,337

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses and Changes in Net Position—Business-Type Activities
Year Ended December 31, 2021

Operating revenues:	
Charges for customers services:	
Vessels and cargo services	$ 18,942,906
Building and facilities rental and fees	12,229,200
Total operating revenues	31,172,106
Operating expenses:	
Personnel services	9,600,288
Maintenance and operations	7,281,110
Sales and office	4,042,791
Depreciation	7,011,940
Total operating expenses	27,936,129
Operating income	3,235,977
Nonoperating revenues (expenses):	
Investment income	70,519
Other income	319,089
Loss on sale of capital assets	(792,012)
Interest expense	(698,376)
Costs of bond issuance	(269,754)
Annual city payment	(198,124)
Recovery, restoration and other nonoperating revenues and expenses	23,053
FEMA/TDEM Claims-IKE	(10,745,473)
Total nonoperating revenues (expenses)	(12,291,078)
Loss before capital grants and contributions	(9,055,101)
Capital grants and contributions	2,827,245
Change in net position	(6,227,856)
Net position at beginning of year	145,294,443
Net position at end of year	$ 139,066,587

See accompanying notes to financial statements.

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

Statement of Cash Flows—Business-Type Activities
Year Ended December 31, 2021

Cash flows from operating activities:	
Cash receipts from customers	$ 30,571,836
Cash payments to employees	(9,160,096)
Cash payments to suppliers for goods and services	(9,042,468)
Net cash provided by operating activities	12,369,272
Cash flows from noncapital financing activities:	
Annual city payment	(198,124)
Net cash used in noncapital financing activities	(198,124)
Cash flows from capital and related financing activities:	
Principal payments on revenue bonds, contracts payable and other long-term liabilities	(28,542,747)
Costs of bond issuance	(269,754)
Proceeds from issuance of revenue refunding bonds	22,700,000
Receipts from capital grants and contributions	2,884,801
Interest paid—long-term debt	(1,207,123)
Acquisition and construction of capital assets	(11,066,572)
Net cash used in capital and related financing activities	(15,501,395)
Cash flows from investing activities:	
Investment earnings	29,277
Proceeds from sale of investments	1,181,959
Proceeds from direct financing lease	224,105
Net cash provided by investing activities	1,435,341
Net decrease in cash and cash equivalents	(1,894,906)
Cash and cash equivalents at beginning of year	37,772,847
Cash and cash equivalents at end of year	$ 35,877,941
Cash and cash equivalents per statement of net position:	
Unrestricted	$ 27,519,061
Restricted	8,358,880
Cash and cash equivalents at end of year	$ 35,877,941

(Continued)

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

Statement of Cash Flows—Business-Type Activities (Continued)
Year Ended December 31, 2021

Operating income	$	3,235,977
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		7,011,940
Accrual for bad-debt expense		162,830
Changes in operating assets and liabilities:		
Increase in accounts receivable		(715,818)
Increase in prepaid items		(129,205)
Increase in accounts payable		3,690,690
Decrease in accrued expenses		(1,280,052)
Increase in unearned revenues and rents		18,937
Increase in accrued compensated absences		172,512
Increase in payable to other government		8,879
Decrease in deferred outflows—pension items		104,883
Increase in deferred inflows—pension items		237,837
Increase in deferred inflows—gain on refunding		100,116
Decrease in net pension liability		(250,254)
Net cash provided by operating activities	$	12,369,272
Supplemental disclosures of cash flow information:		
Payables that result in capital assets related to construction, other than retainage	$	2,414,332
Retainage payable	$	448,123

See accompanying notes to financial statements.

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

Statement of Fiduciary Net Position
December 31, 2021

	Pension Trust Fund
Assets	
Cash and cash equivalents	$ 652,013
Prepaid pension benefits	110,276
Investments at fair value:	
Common stock—domestic	7,015,203
Common stock—international	403,387
Mutual funds—domestic	3,197,639
Mutual funds—international	2,513,549
U.S. government agency securities	154,172
Municipal bonds	107,206
Corporate bonds	2,456,625
Foreign bonds	213,385
Total investments	16,061,166
Total assets	$ 16,823,455
Net position restricted for pension	$ 16,823,455

See accompanying notes to financial statements.

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

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2021

	Pension Trust Fund
Additions:	
Employer contributions	$ 255,702
Investment income:	
Net appreciation in fair value of investments	1,677,377
Interest and dividends	703,538
Total investment earnings	2,380,915
Less investment expense	(74,933)
Net investment income	2,305,982
Total additions	2,561,684
Deductions:	
Benefits paid to participants and beneficiaries	1,366,375
Administrative expenses	39,843
Total deductions	1,406,218
Net increase in fiduciary net position	1,155,466
Net position restricted for pension at beginning of year	15,667,989
Net position restricted for pension at end of year	$ 16,823,455

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

The Board consists of seven members; one member is the ex-officio representative of the City of Galveston City Council and is elected from the City Council (the Council) by council members. The Council appoints the six remaining members for three-year staggered terms. The Board has the powers which are necessary or proper to discharge their responsibilities which include, but are not limited to: the election of a chairman, the employment of a general manager and such other officers and employees as may be required for the proper conduct of the Port, the preparation of budgets, the fixing of charges, the authorization of expenditures, the acquisition of properties, the determination of policies, and in general, the complete management and control of the Port and the income and revenue thereof. The Board has no power to contract in the name of the City and no action or inaction by the Board of Trustees shall render the City liable for damages or shall be binding other than on the properties, income and revenues of the Port. Except for the annual payment of approximately $198,000 to the City, all net revenues of the Port shall be retained and used by the Port for the betterment and extension of the Port. For reporting purposes, the Port is considered a component unit of the City, a state and local government. Accordingly, the Port is exempt from taxes.

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

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Proprietary funds distinguish operating revenues and expenses from 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. External investment pools are valued at amortized cost, as applicable.

D. Investments

The Pension Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. There were no significant modifications to the investment policy during 2021. The following is the Board accepted asset allocation mix as of December 31, 2021:

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Accounts 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. A parking lot 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, 2021, including special reserves, totaled $363,055.

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, moveable equipment under $10,000 and equipment purchased with federal or state funds over $5,000. Donated capital assets, donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value on the date the asset is received, if any. Construction in progress is depreciated when placed in service.

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

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, 2021, the amount that applies to future periods was approximately $1.1 million and presented as unearned revenues and rents as a long-term liability on the statement of net position for business-type activities.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

- A deferred outflow on refunding results when the carrying value of refunded debt was lower than its reacquisition price. This difference is deferred and amortized over the shorter of the life of the refunded or refunding debt.

M. Net Position

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

Note 1. Summary of Significant Accounting Policies (Continued)

Restricted: Restricted net position represents those portions of net position segregated pursuant to the provisions of the 2021 Revenue Refunding bonds, wherein the Port transfers each month's payment at the end of the prior month.

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, 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.

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.

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

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, 2021.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Q. GASB Pronouncements:

A. Adopted Pronouncements:

The Port adopted GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2020, effective January 1, 2021. The adoption did not have an impact on the Port's financial statements.

The Port adopted GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued in March 2021, effective January 1, 2021. The adoption did not have an impact on the Port's financial statements.

The Port adopted the requirements 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,* issued in June 2021, effective January 1, 2021 (except for paragraphs 4 and 5 which were adopted in the fiscal year ended December 31, 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,* adopted in 2021 as noted above.
Statement No. 92, *Omnibus 2021*
Statement No. 93, *Replacement of Interbank Offered Rates,* adopted in 2021, as noted above.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Q. GASB Pronouncements (Continued)

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 2021*, issued January 2021, 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. 2020-3, *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
- 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 2021, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Q. GASB Pronouncements (Continued)

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. 99, *Omnibus 2022*, issued April 2022, establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) (formerly, food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The requirements of this statement apply to the financial statements of all state and local governments and will be effective as follows:

- The requirements in paragraphs 26–32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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. Cash and Cash Equivalents and Investments

Cash and cash equivalents as of December 31, 2021, are classified in the accompanying financial statements as follows:

Unrestricted:	
Cash and cash equivalents	$ 27,519,061
Restricted:	
Cash and cash equivalents	8,358,880
Pension trust fund—cash and cash equivalents	652,013
Total cash and cash equivalents	$ 36,529,954

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

Cash and cash equivalents as of December 31, 2021, consist of the following:

Checking and time deposits:		
Cash on hand	$	1,000
Deposits with financial institutions:		
Cash on demand—Moody Bank		30,294,252
Cash in investment accounts		1,097,821
Pension Trust Fund—cash held with financial institution		652,013
		32,045,086
Investments:		
Local government investment pools		4,484,868
Total cash and cash equivalents	$	36,529,954

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

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

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

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

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

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

The Port invests in the Texas Range Investment Program (Texas Range) which is an individual investment portfolio established by the Texas Range Advisory Board pursuant to the Texas Range Common Investment Contract that established the Pool. Texas Range 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. Texas Range 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 Texas Range 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. The Port's investments managed through TexStar are valued and recorded at amortized cost in accordance with GASB Statement No.79, *Certain External Investment Pools and Pool Participants*.

A. Business-Type Activities

As of December 31, 2021, the Enterprise Fund had the following investments:

Type	Amount	Weighted-Average Maturity Days	Percentage Invested	Fair Value Hierarchy	Credit Rating
Investments measured at amortized cost:					
Texas Range investment fund	$ 2,059,051	35	46%	n/a	AAAf
TexStar investment fund	2,425,817	57	54%	n/a	AAAm
Total investments	$ 4,484,868		100%		
Weighted-average maturity days		47			

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. Texas Range 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.

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

A. Business-Type Activities (Continued)

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, 2021.

Restricted cash, cash equivalents and investments: Restricted cash, cash equivalents and investments at December 31, 2021, consist of the following:

Interest and sinking:	
Revenue Refunding Bonds Series 2021	$ 1,097,821
City of Galveston franchise payment	182,000
Bond proceeds	4,118,731
Bulkhead improvements	2,960,328
	$ 8,358,880

B. Fiduciary Fund—Pension Trust Fund

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).

As of December 31, 2021, 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	$ 7,015,203	$ -	$ -	$ 7,015,203
Common stock—international	403,387	-	-	403,387
Mutual funds—domestic	3,197,639	-	-	3,197,639
Mutual funds—international	2,513,549	-	-	2,513,549
U.S. government agency securities	-	154,172	-	154,172
Municipal bonds	-	107,206	-	107,206
Corporate bonds	-	2,456,625	-	2,456,625
Foreign bonds	-	213,385	-	213,385
	$ 13,129,778	$ 2,931,388	$ -	$ 16,061,166

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. Cash and Cash Equivalents 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 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, 2021, that are subject to credit risk's.

Moody's Quality Ratings	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Foreign Bonds	Fair Total
Aaa	$ 154,172	$ -	$ -	$ -	$ 154,172
Aa1	-	107,206	-	-	107,206
Aa2	-	-	100,149	-	100,149
Aa3	-	-	133,988	-	133,988
A1	-	-	732,162	106,142	838,304
A2	-	-	684,166	-	684,166
A3	-	-	329,069	107,243	436,312
Baa1	-	-	222,625	-	222,625
Baa2	-	-	254,466	-	254,466
	$ 154,172	$ 107,206	$ 2,456,625	$ 213,385	$ 2,931,388

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, 2021, 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 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, 2021. The maturity schedule is based on the average maturity of the fund, as noted by the fund manager.

	Less Than 1 Year	1-5 Years	6-10 Years	Fair Value
U.S. government agency securities	$ 154,172	$ -	$ -	$ 154,172
Municipal bonds	107,206	-	-	107,206
Corporate bonds	100,149	1,614,619	741,857	2,456,625
Foreign bonds	213,385	-	-	213,385
	$ 574,912	$ 1,614,619	$ 741,857	$ 2,931,388

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, 2021, are as follows:

Accounts receivable—trade	$ 6,070,946
Grants receivable	431,111
Less allowance for doubtful accounts	(363,055)
Net accounts receivable	$ 6,139,002

Note 4. Capital Assets

Changes in capital assets during the year ended December 31, 2021, are summarized as follows:

	Balance at December 31, 2020	Additions	Retirements	Transfers/ Reclassification	Balance at December 31, 2021
Capital assets not being depreciated/amortized:					
Land	$ 16,499,295	$ -	$ -	$ 1,587,094	$ 18,086,389
Channel deepening	15,131,996	-	-	-	15,131,996
Construction in progress	2,929,733	11,066,572	-	(6,706,274)	7,290,031
Total capital assets not being depreciated/amortized	34,561,024	11,066,572	-	(5,119,180)	40,508,416
Capital assets being depreciated/amortized:					
Railway facilities	4,260,563	-	(770,103)	-	3,490,460
Wharves, docks and buildings	201,507,366	-	(2,907,243)	3,879,719	202,479,842
Machinery and equipment	9,427,795	-	(109,375)	983,299	10,301,719
Furniture and office equipment	3,504,101	-	-	256,162	3,760,263
Intangible assets	794,890	-	-	-	794,890
Total capital assets being depreciated/amortized	219,494,715	-	(3,786,721)	5,119,180	220,827,174
Less accumulated depreciation/amortization for:					
Railway facilities	(2,585,858)	-	770,103	-	(1,815,755)
Wharves, docks and buildings	(98,978,907)	(5,949,892)	2,115,233	-	(102,813,566)
Machinery and equipment	(7,369,947)	(472,374)	109,375	-	(7,732,946)
Furniture and office equipment	(2,789,602)	(523,433)	-	-	(3,313,035)
Intangible assets	(39,744)	(66,241)	-	-	(105,985)
Total accumulated depreciation/amortization	(111,764,058)	(7,011,940)	2,994,711	-	(115,781,287)
Total capital assets, being depreciated/amortized, net	107,730,657	(7,011,940)	(792,010)	5,119,180	105,045,887
Capital assets, net	$ 142,291,681	$ 4,054,632	$ (792,010)	$ -	$ 145,554,303

Depreciation expense for the year ended December 31, 2021, totaled $7,011,940.

Note 4. Capital Assets (Continued)

Commitments relating to capital construction in progress as of December 31, 2021, are as follows:

	Total Commitment	Total Capitalized	Construction in Progress	Remaining Commitment
Port security grant 2019 Security System	$ 684,500	$ -	$ 191,105	$ 493,395
Port security grant 2020 Cybersecurity	806,000	-	-	806,000
Port security grant 2020 Police Boat	495,600	470,211	25,389	-
Port security grant 2021 License Plate Reader	682,000	-	-	682,000
Channel Deepening Extension	130,325	-	130,325	-
Walkway Elevator and Repairs	274,574	258,317	16,257	-
Cruise terminal 10	12,310,417	-	4,791,377	7,519,040
RoRo relocation	1,930,000	1,733,591	195,496	913
Old Port Industrial Road	2,801,738	1,412,468	692,087	697,183
East End Cruise Corridor	6,139,576	-	665,544	5,474,032
Projects under $200,000	714,500	47,907	582,451	84,142
Totals	$ 26,969,230	$ 3,922,494	$ 7,290,031	$ 15,756,705

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, 2021, the following changes occurred in the Port's long-term liabilities:

Issue	Balance at December 31, 2020	Increases	Decreases	Balance at December 31, 2021	Amounts Due Within One Year
Revenue bonds:					
Series 2011 Refunding	$ 13,260,000	$ -	$ (13,260,000)	$ -	$ -
Premium on Series 2011	259,604	-	(259,604)	-	-
Series 2021 Refunding	-	22,700,000	(2,151,121)	20,548,879	5,896,515
Other long-term liabilities:					
U.S. Corps of Engineers	3,663,837	-	(131,626)	3,532,211	130,325
Compensated absences	824,859	314,175	(141,664)	997,370	454,418
Net pension liability	1,711,050	-	(250,254)	1,460,796	-
Revenue notes payable:					
Series 2014 (AMT)	13,000,000	-	(13,000,000)	-	-
	$ 32,719,350	$ 23,014,175	$ (29,194,269)	$ 26,539,256	$ 6,481,258

Long-term bonded debt at December 31, 2021, 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 2021A and 2021B	$ 22,700,000	1.30%	February 1, 2021/2026	Monthly

Note 5. Long-Term Liabilities (Continued)

As of December 31, 2021, 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:			
2022	$ 5,896,515	$ 224,407	$ 6,120,922
2023	4,555,664	163,403	4,719,067
2024	4,624,035	103,766	4,727,801
2025	4,689,303	43,263	4,732,566
2026	783,362	1,273	784,635
	$ 20,548,879	$ 536,112	$ 21,084,991

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

The Series 2021 bonds will be used to finance the construction of cruise terminal improvements. Gross revenues are pledged for repayment of these bonds. The Series 2021 bonds bear interest at a fixed rate of 1.30% per annum. Payments are structured so that the port makes four payments of $1.1 million from November 1, 2021 through February 1, 2022, followed by payments averaging $.4 million per month beginning March 1, 2022 with final payment occurring February 1, 2026. The Series 2021 bonds are subject to redemption prior to their respective dates of maturity, at any time at the option of the Port, in whole or in part, at redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date. Commencing with the fiscal year beginning on January 1, 2022 and while the series 2021 bonds remaining outstanding, in any fiscal year, such fees, tolls and charges will be fixed, charged and collected in order that net revenues will equal an amount not less than 125% of the debt service on all parity obligations in such fiscal year. The indentures require that for the duration of the period the series 2021 bonds are outstanding, the Port maintain at least one long term unenhanced credit rating above BBB or Baa2 or the senior lien parity obligations with either Moody’s or Standard and Poor’s. The Port is also subject to a Minimum Liquidity Covenant—as of December 31, the Chairman of the Board shall certify to the City and the Initial Purchaser, based on review of the Port’s financial statements, that the Port maintained unrestricted Liquidity of at least $15,000,000.

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. The bonds were paid in full as of December 31, 2021.

Note 5. Long-Term Liabilities (Continued)

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 27 (formerly Cruise 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 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's port and harbor facilities remaining after deduction of operation and maintenance expenses and an annual payment required by the City 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. The notes were paid in full as of December 31, 2021.

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, 2021 the balance is $3,532,211.

Note 6. Lease Arrangements

A. 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.

Note 6. Lease Arrangements (Continued)

A. Lease Arrangements With the Port as the Lessor (Continued)

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 2021, the escalated facility tract lease amount was $304,827. The lessee did not reach the escalated minimum annual guarantee of $2.2 million in 2021, so an additional payment of $185,545 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, 2021:

Minimum lease rental payments receivable:	
Due within one year	$ 199,146
Due after one year	838,008
Net investment in direct financial lease	$ 1,037,154

The investment in direct financing lease is net of unearned income of $1,256,495. Unearned income is amortized and charged to operations over the initial and optional terms of the lease on a straight-line basis.

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

Years ending December 31:	
2022	$ 199,146
2023	199,146
2024	199,146
2025	199,146
2026	199,146
2027-2028	41,424
	$ 1,037,154

Note 6. Lease Arrangements (Continued)

A. Lease Arrangements With the Port as the Lessor (Continued)

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:	
2022	$ 4,509,207
2023	7,792,828
2024	6,908,198
2025	6,708,903
2026	6,368,421
2027-2031	30,256,281
2032-2036	30,502,371
2037-2041	26,490,919
2042-2046	27,886,667
2047-2051	29,027,163
2052-2056	30,745,498
2057-2061	33,022,341
2062-2066	35,068,300
2067-2071	36,832,737
2072-2076	39,679,319
2077-2081	42,745,895
2082-2086	8,937,710
	$ 403,482,758

Note 6. Lease Arrangements (Continued)

B. Lease Arrangements With the Port as the Lessee

The Port's operating leases consist primarily of office rental space and equipment. 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:		
2022	$	355,481
2023		360,078
2024		297,615
2025		172,153
2026		147,899
2027-2031		707,280
2032-2035		536,354
	$	2,576,860

Note 7. Pension Plan

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

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

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

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

Vesting: Participants become 100% vested upon completion of five years of service. Vesting service includes periods prior to the effective date of the Pension Plan computed as if the Pension Plan had been in effect. The Pension Plan also allows 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.

Note 7. Pension Plan (Continued)

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.

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%

Note 7. Pension Plan (Continued)

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.

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.

Note 7. Pension Plan (Continued)

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, 2020, measurement date, the following employees were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	74
Inactive employees entitled to, but not yet receiving benefits	42
Active plan members	19
	135

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 2021 was $258,202.

Net pension liability: The Port's net pension liability was measured as of December 31, 2020, and the pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Note 7. Pension Plan (Continued)

Actuarial assumptions: The net pension liability was determined through an actuarial valuation performed as of December 31, 2020. The actuarial assumptions used are as follows:

Valuation date	December 31, 2020
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:	PubG-2010 Mortality Tables Projected Generationally from 2010 with the Mortality Improvement Scale MP-2020
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 the Pri-2012 Mortality Tables Projected Generationally from 2012 with the Mortality Improvement Scale MP-2019 to the PubG-2010 Mortality Table Projected Generationally from 2010 with the Mortality Improvement Scale MP-2020.

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

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

Long-term rate of return on assets: The long-term rate of return on the Pension Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation.

Note 7. Pension Plan (Continued)

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income equities securities	10%	2.40%
Common stock	60%	7.10%
Domestic equities—large cap	5%	7.80%
Domestic equities— mid cap	3%	7.80%
Domestic equities—small cap	5%	7.60%
International equities	10%	1.50%
Real estate	1%	7.30%
Emerging markets	1%	6.70%
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	$ 3,086,947	$ 1,460,796	$ 73,550

Note 7. Pension Plan (Continued)

Changes in the net pension liability: The following presents the changes in net pension liability as of December 31, 2021.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2020	$ 16,440,887	$ 14,729,837	$ 1,711,050
Changes for the year:			
Service cost	77,202	-	77,202
Interest	1,148,818	-	1,148,818
Changes in assumptions	762,991	-	762,991
Difference between expected and actual experience	(63,634)	-	(63,634)
Contributions—employer	-	365,585	(365,585)
Net investment income	-	1,831,353	(1,831,353)
Benefit payments, including refunds of employee contributions	(1,344,635)	(1,344,635)	-
Administrative expenses	-	(50,083)	50,083
Other changes	-	28,776	(28,776)
	580,742	830,996	(250,254)
Balance at December 31, 2021	$ 17,021,629	$ 15,560,833	$ 1,460,796

Pension expense: For the year ended December 31, 2021, the Port recognized pension expense of $350,668.

Deferred outflows of resources and deferred inflows of resources related to pension: At December 31, 2021, the Port reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	$ -	$ (1,665,288)
Contributions subsequent to the measurement date	258,202	-
	$ 258,202	$ (1,665,288)

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
2022	$	(613,079)
2023		(290,429)
2024		(595,755)
2025		(166,025)
	$	(1,665,288)

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 $41,817 to the 457 Plan as of December 31, 2021.

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.

B. Plan Funding Policy

Active plan members must contribute 7.65% of his/her earnings and the Port is required to contribute 5.42% of participant earnings. The plan members contributed $459,756 and the Port contributed $327,108 during the year ended December 31, 2021.

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

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 $204,467 during the year ended December 31, 2021. 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.

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, 2021.

Note 9. Commitments, Contingencies and Uncertainties (Continued)

The Port is a defendant in a lawsuit filed by a private cruise parking lot. This parking lot is contesting the 2014 rate increase in private parking lot cruise terminal access fees. By order of the court, the defendant is 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.

Currently a specific reserve based on Accounts Receivable, payments made by the litigant to the court requestor, and the settlement reached with the other litigants is included in the allowance for doubtful accounts. Additionally, a specific reserve is included in the Allowance for doubtful accounts for one customer who filed for bankruptcy. As the Port continues to regain revenues after the pandemic, an evaluation of the current reserve calculation will occur.

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 $50 million by carrying excess/umbrella liability insurance coverage.

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

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

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

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

Note 10. Risk Management (Continued)

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 $3,225,409, which comprise approximately 10.3% of total operating revenues for the year ended December 31, 2021. Four customers had outstanding accounts receivable of $1,181,225, $950,698, $703,682 and $696,843 which comprise approximately 19.2%, 15.5%, 11.5% and 11.4% of outstanding trade receivables respectively, as of December 31, 2021. 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 $1,782,022 for the year ended December 31, 2021.

In the ordinary course of business, the Port has held deposits at Moody National Bank. The President and CEO of Moody National Bank is a member of the Board of Trustees for the Port. As of December 31, 2021, deposits at Moody National Bank totaled $30,183,946.

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 2021. Galveston is the fourth largest cruise port in the United States. Cruise ship sailings resumed in 2021 and 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. Due to FEMA/TDEM-IKE

Texas Hurricane IKE—Public Assistance Grant 1791

On January 10, 2022, the Port was issued notice from the Texas Department of Emergency Management (TDEM) of a FEMA Administrative Closeout on Grant Number 1791 (Texas Hurricane IKE). This notice is essentially a “call” of several Hurricane Ike disaster related projects that are still under FEMA review. In consultation with legal counsel, management of the Port believes it is allowed certain statutory rights under the Stafford Disaster Relief and Emergency Assistance Act and FEMA regulations promulgated thereunder. TDEM’s notice also demanded “all documentation required to substantiate eligibility, insurance proceeds, cost reasonableness, and cost incurred by February 9, 2022.”

Note 14. Due to FEMA/TDEM-IKE (Continued)

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

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

Based on management's review of the notice, the claims consist of $5,954,943 pending FEMA close-out review, $2,688,516 under appeal and non-recognition of FEMA closeouts in progress, and $2,102,014 which the Port concurred. The total of these demands is $10,745,473 and is being recognized as a reduction to non-operating income section of the Statement of Revenues, Expenses and Changes in Net Position and a short-term liability reflected in the Statement Net Position.

In addition to the afore mentioned projects, the Port still has Direct Administrative Cost for Public Assistance Grant 1791 pending outcome of the appeal process, totaling $1,973,854. Another future project under this Grant is the West End Erosion Alternate Project totaling $10,301,161 with expected completion dates in late 2024. Additionally continuing Erosion Project work at Pier 28, 34 and 35 totaling $1,753,284 are projected to be completed during the same time frame. These items represent $14,028,299 in potential future claims against Grant Number 1791. Various other named disasters including the Covid Pandemic caused delays in receiving approval and completion of work for the alternate West End Erosion Projects.

Note 15. Subsequent Events

The Port has evaluated subsequent events through June 28, 2022, the date the financial statements were available to be issued.

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 Seven Measurement Years Ended December 31
Required Supplementary Information (Unaudited)

	2021	2020	2019	2018	2017	2016	2015
Total pension liability:							
Service cost	$ 77,202	$ 101,967	$ 149,366	$ 138,712	$ 137,707	$ 169,079	$ 183,481
Interest	1,148,818	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	762,991	(96,477)	88,955	762,720	-	(239,557)	-
Difference between expected and actual experience	(63,634)	-	41,613	(134,857)	84,594	156,762	(56,421)
Benefit payments, including refunds of employee contributions	(1,344,635)	(1,234,638)	(1,206,729)	(1,141,887)	(855,811)	(757,719)	(704,816)
Net change in total pension liability	580,742	122,806	208,253	744,658	462,431	400,499	462,551
Total pension liability at beginning of year	16,440,887	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	$ 17,021,629	$ 16,440,887	$ 16,318,081	$ 16,109,828	$ 15,365,170	$ 14,902,739	$ 14,502,240
Plan fiduciary net position:							
Contributions—employer	$ 365,585	$ 575,000	$ 575,000	$ 562,160	$ 420,000	$ 400,000	$ 540,004
Net investment income	1,831,353	3,021,496	(560,928)	2,475,326	519,420	153,997	782,143
Benefit payments, including refunds of employee contributions	(1,344,635)	(1,234,638)	(1,206,729)	(1,141,887)	(855,811)	(757,719)	(704,816)
Administrative expense	(50,083)	(42,883)	(62,705)	(69,370)	-	(65,437)	(89,122)
Other changes	28,776	(769)	(368)	1,280	679	1,199	3,203
Net change in plan fiduciary net position	830,996	2,318,206	(1,255,730)	1,827,509	84,288	(267,960)	531,412
Plan fiduciary net position at beginning of year	14,729,837	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	$ 15,560,833	$ 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	$ 1,460,796	$ 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	91%	90%	76%	85%	77%	79%	83%
Covered payroll	$ 1,144,464	$ 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 payroll	128%	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)

	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 242,382	$ 292,252	$ 515,856	$ 421,327	$ 562,160
Contributions in relation to the actuarially determined contribution	255,702	365,585	575,000	575,000	562,160
Contribution deficiency (excess)	$ (13,320)	$ (73,333)	$ (59,144)	$ (153,673)	$ -
Covered payroll	$ 1,031,885	$ 1,144,464	$ 1,527,483	$ 2,017,084	$ 2,659,786
Contributions as a percentage of covered payroll	24.78%	31.94%	37.64%	28.51%	21.14%

	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 415,085	$ 377,727	$ 398,283	$ 540,004	$ 669,776
Contributions in relation to the actuarially determined contribution	420,000	400,000	540,004	540,004	669,776
Contribution deficiency (excess)	$ (4,915)	$ (22,273)	$ (141,721)	$ -	$ -
Covered payroll	$ 3,174,196	$ 3,289,226	$ 3,484,519	$ 3,627,781	$ 3,921,729
Contributions as a percentage of covered payroll	13.23%	12.16%	15.50%	14.89%	17.08%

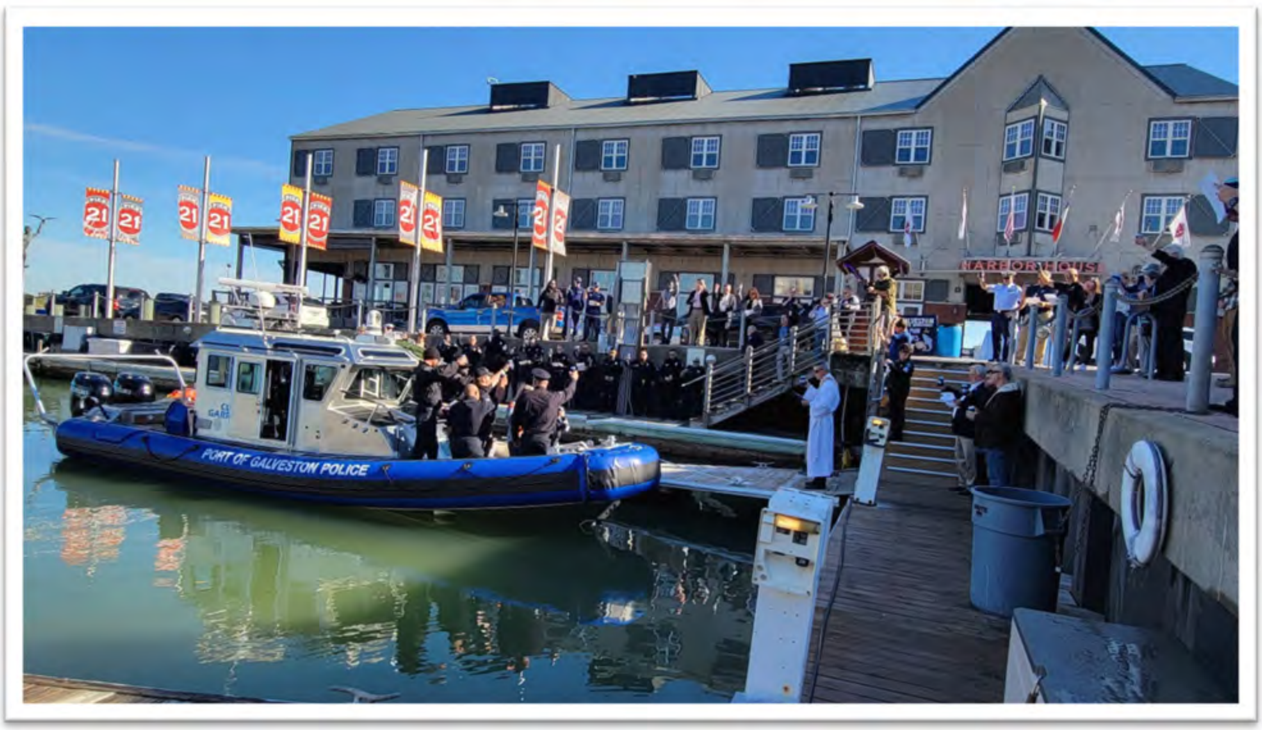
Methods and assumptions used to determine contribution for 2021:

Valuation date	December 31, 2020
Actuarial cost method	Individual entry age cost method
Amortization method	20-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	Pri-2012 Mortality Tables Projected Generationally from 2012 with the Mortality Improvement Scale MP-2019
Retirement rates	The latter of the attainment of age 65 or the completion of five years of vesting service

GALVESTON WHARVES

2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Statistical Section



The Port and Community Participate in Christening of a Police Boat in December of 2021

Port of Galveston
Galveston, Texas

GALVESTON WHARVES

2021 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	2021		2020	2019	2018
Assets					
Unrestricted current assets	$ 34,652,944		$ 30,012,668	$ 31,810,238	$ 19,731,195
Restricted current assets	8,358,880		15,327,609	17,400,813	17,099,839
Properties and facilities, net	145,554,303		142,291,681	145,631,402	149,793,852
Other assets	838,008		1,062,113	1,261,259	1,460,406
Total assets	189,404,135		188,694,071	196,103,712	188,085,292
Deferred outflow of resources	258,202		363,085	1,177,383	984,558
Liabilities					
Current liabilities—payable from nonrestricted assets	21,796,198	(b)	8,859,598	10,219,523	8,688,028
Current liabilities—payable from restricted assets	5,896,515		3,885,000	6,773,387	4,971,216
Long term debt, net of current portion	18,597,202		26,597,547	28,948,200	35,535,886
Unearned revenues	1,079,635		1,282,067	1,484,498	1,686,930
Net pension liability	1,460,796		1,711,050	3,906,450	2,442,467
Total liabilities	48,830,346		42,335,262	51,332,058	53,324,527
Deferred inflows of resources	1,765,404		1,427,451	-	846,633
Net position					
Net investment in capital assets	126,137,940		119,342,702	117,664,207	116,705,066
Restricted	1,279,821		6,487,326	8,563,972	8,408,718
Unrestricted	11,648,826		19,464,415	19,720,858	9,784,906
Total net position	$ 139,066,587		$ 145,294,443	$ 145,949,037	$ 134,898,690

- 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.

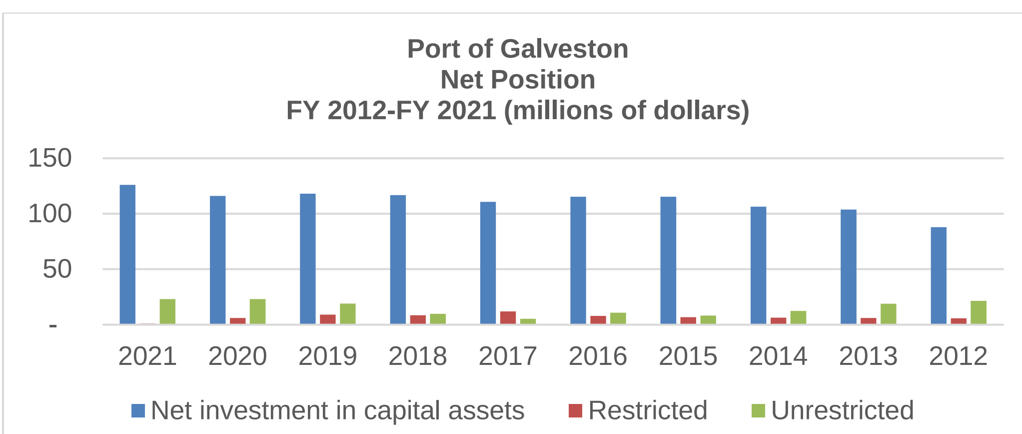
(a) Restated

(b) Includes $10.7 million Demand Notice on Federal Public Assistance Grant 1791 (Hurricane IKE) received from TDEM.

The Board of Trustees of the Galveston Wharves

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

2017	2016	2015	2014	2013	2012
$ 14,197,722 (a)	$ 18,183,941	$ 20,584,656	$ 21,289,662	$ 23,855,430	$ 26,711,814
18,642,035	19,900,725	27,796,300	34,491,857	21,643,798	22,538,833
147,820,443	152,026,032	147,901,820	136,548,043	137,638,530	127,239,959
1,659,552	1,858,698	2,057,844	2,256,990	2,456,136	2,655,282
182,319,752	191,969,396	198,340,620	194,586,552	185,593,894	179,145,888
1,409,876	1,146,128	451,726	540,004	-	-
8,865,980	5,414,459	10,558,641	7,900,565	5,109,981	5,836,253
4,823,336	4,420,000	4,250,000	4,115,000	5,324,294	3,780,000
36,505,594	43,709,763	48,638,548	52,707,229	43,566,405	51,255,689
2,075,676	2,337,245	2,522,265	2,665,129	2,844,814	3,149,585
3,525,318	3,147,175	2,478,716	2,547,577	-	-
55,795,904	59,028,642	68,448,170	69,935,500	56,845,494	64,021,527
83,707	228,612	133,961	142,594	188,841	-
110,603,904	115,231,634	115,312,854	106,323,197	103,644,735	87,905,458
11,995,924	7,869,709	6,704,602	6,321,160	6,020,683	5,782,618
5,250,189 (a)	10,756,927	8,192,759	12,404,105	18,894,141	21,436,285
$ 127,850,017	$ 133,858,270	$ 130,210,215	$ 125,048,462	$ 128,559,559	$ 115,124,361



The Board of Trustees of the Galveston Wharves

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

Description	2021		2020	2019	2018
Operating revenues	$ 31,172,106		$ 27,358,135	$ 51,474,109	$ 43,514,516
Operating expenses:					
Personnel services	9,600,288		8,650,301	9,494,870	8,281,310
Maintenance and operations	7,281,110		8,678,974	15,019,177	12,773,845
Sales and office	4,042,791		4,175,833	8,413,703	7,935,356
Depreciation	7,011,940		6,677,873	6,370,852	6,546,854
Total operating expenses	27,936,129		28,182,981	39,298,602	35,537,365
Net operating income (loss)	3,235,977		(824,846)	12,175,507	7,977,151
Nonoperating revenue (expenses):					
Investment income	70,519		205,620	519,163	280,987
Miscellaneous Income	319,089		45,917	18,011	-
Annual city payment (b)	(198,124)		(189,245)	(189,245)	(189,169)
Interest expense	(698,376)		(1,236,305)	(1,499,143)	(1,742,546)
Bond issuance costs	(269,754)		-	-	-
Other debt expense	-		-	-	-
Net gain (loss) on disposal of equipment	(792,012)		(23,710)	(400,102)	-
U.S. Army COE-related expenses	-		-	-	(487,983)
Hurricane-related income (expenses) (c)	23,053		(63,359)	(227,224)	(459,194)
Other expenses	(10,745,473)	(d)	-	-	-
Total nonoperating revenues (expenses)	(12,291,078)		(1,261,082)	(1,778,540)	(2,597,905)
Income (expense) before contributions	(9,055,101)		(2,085,928)	10,396,967	5,379,246
Capital grants and contributions	2,827,245		1,431,334	653,380	1,669,423
Changes in net position	$ (6,227,856)		$ (654,594)	$ 11,050,347	$ 7,048,669

- 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.

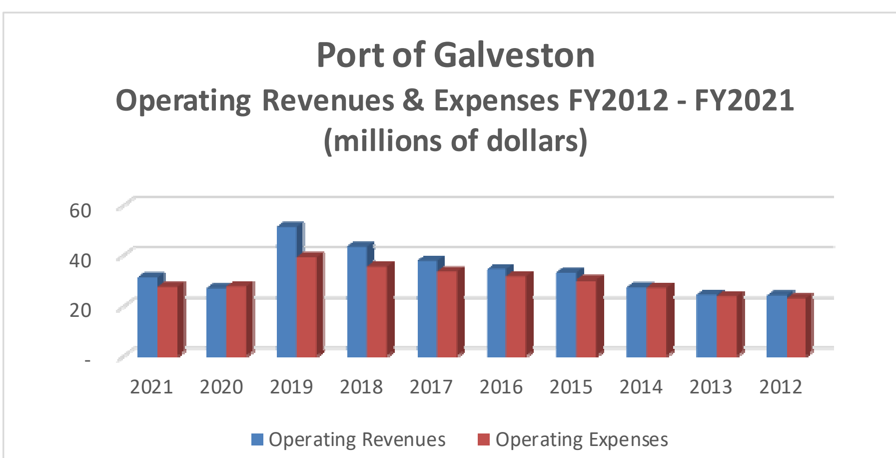
(c) Effective in 2018, hurricane-related expenses for all years are being shown as nonoperating expenses rather than extraordinary items.

(d) Includes $10.7 million Demand Notice on Federal Public Assistance Grant 1791 (Hurricane IKE) received from TDEM.

The Board of Trustees of the Galveston Wharves

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

2017	2016	2015	2014	2013	2012
$ 37,769,849	$ 34,488,872	$ 33,015,643	$ 27,711,092	$ 24,767,493	$ 24,482,964
7,972,059	8,462,458	8,891,974	8,858,156	8,845,314	8,819,701
11,772,312	10,987,938	9,005,438	8,911,837	7,105,943	6,990,167
6,865,712	5,412,002	6,046,520	3,804,123	2,428,240	2,333,548
6,705,570	6,549,259	6,005,248	5,837,831	5,640,607	4,999,706
33,315,653	31,411,657	29,949,180	27,411,947	24,020,104	23,143,122
4,454,196	3,077,215	3,066,463	299,145	747,389	1,339,842
347,353	288,856	232,073	225,801	201,126	122,618
-	-	-	-	-	-
(188,793)	(188,561)	(188,076)	(187,302)	(187,302)	(187,302)
(1,934,675)	(2,125,727)	(2,275,468)	(1,970,803)	(2,115,837)	(2,500,263)
-	-	-	-	-	-
-	-	-	(170,521)	(225,146)	-
-	-	3,279	-	1,840	-
-	-	-	-	-	-
(811,434) (a)	(552,828)	(569,808)	(1,963,657)	(944,908)	13,340,200
-	-	-	-	-	-
(2,587,549)	(2,578,260)	(2,798,000)	(4,066,482)	(3,270,227)	10,775,253
1,866,645	498,955	268,463	(3,767,337)	(2,522,838)	12,115,095
30,384	3,149,100	4,893,290	2,263,814	15,958,039	11,154,694
$ 1,897,029	$ 3,648,055	$ 5,161,753	$ (1,503,523)	$ 13,435,201	$ 23,269,789



The Board of Trustees of the Galveston Wharves

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

Description	2021	2020	2019	2018
Switching	$ 828,455	$ 961,886	$ 724,899	$ 664,519
Wharfage	4,538,197	3,555,727	4,061,884	4,491,912
Passenger charge	4,093,695	3,527,539	16,011,250	12,200,846
Parking fees	3,608,502	1,877,896	8,118,181	7,607,603
Dockage	10,311,012	8,356,276	8,204,487	6,719,542
Ship service revenues	-	1,462,701	6,238,691	5,336,560
Shed hire	-	-	-	-
Revenue producing services	1,098,407	947,618	873,759	343,467
Rentals	4,728,063	4,827,199	4,685,762	3,787,582
Security cost recovery	1,485,559	1,214,248	1,401,845	1,191,123
Terminal access fees	447,079	254,700	1,059,105	888,442
Miscellaneous	33,137	372,345	94,246	282,920
Total operating revenues	$ 31,172,106	$ 27,358,135	$ 51,474,109	$ 43,514,516

The Board of Trustees of the Galveston Wharves

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

2017	2016	2015	2014	2013	2012
$ 556,646	$ 929,527	$ 1,067,920	$ 763,624	$ 496,996	$ 629,707
3,169,750	2,661,602	2,577,208	2,659,003	2,304,942	2,927,094
11,580,016	8,946,032	8,647,317	6,157,648	5,271,205	4,854,694
6,669,561	6,143,976	6,312,896	4,851,414	4,117,693	4,203,115
5,165,419	5,826,700	6,479,532	5,683,806	5,345,099	4,715,107
4,861,472	3,891,550	3,195,913	3,449,474	2,892,874	2,471,125
-	-	-	-	-	4,216
98,497	114,358	120,388	114,505	119,137	124,191
3,748,981	3,478,455	3,051,766	3,049,244	3,446,461	3,718,048
847,632	949,909	979,811	658,078	558,984	494,919
889,170	832,440	526,823	283,566	148,554	122,430
182,710	714,323	56,067	40,730	65,547	218,318
$ 37,769,854	$ 34,488,872	$ 33,015,641	$ 27,711,092	$ 24,767,492	$ 24,482,964

The Board of Trustees of the Galveston Wharves

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

		2021	
Rank	**Customer Name**	**Amount**	**Percent of Total Operating Revenues**
1.	Carnival Cruise Lines	$ 3,225,409	10%
2.	Metro Ports Suderman Contracting	2,092,167	7%
3.	ADM Grain Co.	1,707,817	5%
4.	Royal Caribbean, Int'l.	1,431,671	5%
5.	GAC North America Shipping	1,424,274	5%
6.	DSV Air & Sea, Inc.	1,327,860	4%
7.	Del Monte Fresh Produce	1,059,983	3%
8.	American Roll-on Roll-Off Carrier	1,050,246	3%
9.	Coastal Region (Galveston Railroad, L.P.)	1,029,324	3%
10.	Biehl Master, Owners and Operators	937,881	3%
	Total ten largest customers	15,286,632	49%
	Others	15,885,472	51%
	Total operating revenues	$ 31,172,106	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

	2012	
Customer Name	**Amount**	**Percent of Total Operating Revenues**
Carnival Cruise Lines	$ 4,274,516	17%
Royal Caribbean, Int'l.	2,622,828	11%
Gulf Copper	1,578,061	6%
Wallenius Wilhelmsen	1,271,430	5%
Del Monte Fresh Produce	1,025,581	4%
ADM Grain Co.	982,386	4%
Malin Int'l.	817,220	3%
Pelican Island Storage Terminal Inc.	757,490	3%
Intercruises Shoreside Svc. (Disney)	745,131	3%
Galveston Railroad, L.P. (Coastal Region)	740,887	3%
Total ten largest customers	14,815,528	59%
Others	10,100,901	41%
Total operating revenues	$ 24,916,430	100%

The Board of Trustees of the Galveston Wharves

Debt Service Schedule

Year Ending December 31	Revenue Bonds, Series 2021	US Army Corps of Engineers Debt	Total Principal and Interest Requirements
2022	$ 6,120,922	$ 130,325	$ 6,251,247
2023	4,719,067	130,367	4,849,434
2024	4,727,801	130,409	4,858,210
2025	4,732,566	130,450	4,863,016
2026	784,635	130,492	915,127
2027-2031	-	653,086	653,086
2032-2036	-	654,132	654,132
2037-2041	-	655,179	655,179
2042-2046	-	656,228	656,228
2047-2051	-	261,543	261,543
	$ 21,084,991	$ 3,532,211	$ 24,617,202

* Debt from the US Army Corps of Engineers represents 10% of the cost of previously constructed Galveston Harbor and Channel Deepening to 45 mean lower low water. Estimated cost was $3,925,466 payable over a period not to exceed 30 years.

The Board of Trustees of the Galveston Wharves

Schedule of Long-Term Debt
Last Ten Fiscal Years

Fiscal Year	Special Obligation Bonds	Revenue Bonds	Contracts Payable	Notes Payable	Capital Leases	US Army Corps Of Engineers Debt	Total	Percentage of Personal Income	Dollars Per Capita
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
2021	-	20,548,879	-	-	-	3,532,211	24,081,090	1%	792

The Board of Trustees of the Galveston Wharves

Pledged Net Revenue Coverage
Last Ten Fiscal Years

Description	2021	2020	2019	2018	2017
Operating revenues	$ 31,172,106	$ 27,358,135	$ 51,474,109	$ 43,514,516	$ 37,769,849
Operating expenses	27,936,129	28,182,981	39,298,602	35,537,365	33,504,448
Net operating income (loss)	3,235,977	(824,846)	12,175,507	7,977,151	4,265,401
Add:					
Miscellaneous income	342,142	45,917	18,011	-	-
Interest income	70,519	205,620	519,163	280,987	347,353
Depreciation	7,011,940	6,677,873	6,370,852	6,546,854	6,705,572
Total net revenues	$ 10,660,578	$ 6,104,564	$ 19,083,533	$ 14,804,992	$ 11,318,326
Annual debt service	$ 5,470,772	$ 5,397,680	$ 6,459,743	$ 6,549,453	$ 6,447,362
Debt service coverage	1.95	1.13	2.95	2.26	1.76

The Board of Trustees of the Galveston Wharves

Pledged Net Revenue Coverage
Last Ten Fiscal Years

Description	2016	2015	2014	2013	2012
Operating revenues	$ 34,488,872	$ 33,015,643	$ 27,711,092	$ 24,767,493	$ 24,482,964
Operating expenses	31,600,218	30,137,256	27,599,249	24,207,406	23,330,424
Net operating income (loss)	2,888,654	2,878,387	111,843	560,087	1,152,540
Add:					
Miscellaneous income	-	-	-	-	-
Interest income	288,856	232,073	225,801	201,126	122,618
Depreciation	6,549,259	6,005,248	5,837,831	5,640,607	4,999,706
Total net revenues	$ 9,726,769	$ 9,115,708	$ 6,175,475	$ 6,401,820	$ 6,274,864
Annual debt service	$ 6,444,562	$ 6,450,236	$ 5,513,294	$ 5,693,844	$ 2,521,208
Debt service coverage	1.51	1.41	1.12	1.12	2.49

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)
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%
2021	53,695	30,406	1,632,650	38.2	12	6,648	5.4%

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

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.

The Board of Trustees of the Galveston Wharves

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

	2020			2012		
Employer	**Employees**	**Rank**	**Percent of Total Employment**	**Employees**	**Rank**	**Percent of Total Employment**
University of Texas Medical Branch	8,948	1	39.07%	7,500	1	39.72%
Landry's Inc[1]	1,930	2	8.43%	1,300	3	6.88%
Galveston Independent School District	1,358	3	5.93%	1,366	2	7.23%
Galveston County (on Island only)	1,199	4	5.24%	864	5	4.58%
Schlitterbahn[2]	1,100	5	4.80%			0.00%
American National Insurance Company	919	6	4.01%	866	4	4.59%
City of Galveston	804	7	3.51%	722	7	3.82%
Texas A&M University at Galveston	696	8	3.04%	423	9	2.24%
Moody Gardens[3]	605	9	2.64%	810	6	4.29%
Sullivan Interests[4]	467	10	2.04%			0.00%
Mitchell Historic Properties	-		0.00%	460	8	2.44%
Galveston College			0.00%	300	10	1.59%
All others	4,875		21.29%	4,272		22.62%
	22,901		100.00%	18,883		100.00%

Source: City of Galveston 2021 Annual Comprehensive Financial Report

[1] Numbers listed are from March 2021

[2] This includes peak employment totals. Year round employment is 35.

[3] This includes peak employment totals. Year round employment is 449.

[4] Sullivan Interests employs 467 FT/16 PT. 201 employees work at locations along the Gulf of Mexico and approximately 266 employees work in Galveston.

The Board of Trustees of the Galveston Wharves

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

Description	2021	2020	2019	2018
Bulk grain	1,246,542	1,473,271	647,328	839,395
Bulk fertilizer	390,868	273,569	540,096	603,701
Bulk liquid	1,989,260	1,393,261	1,574,339	1,544,103
Other bulk cargoes	-	39,703	-	-
Bananas and other fruit	594,012	606,624	568,860	534,412
Other general and RoRo Cargo	622,701	479,335	687,215	581,779
Livestock	2,937	1,859	-	-
Total tons handled	4,846,320	4,267,622	4,017,838	4,103,390
Inward	3,246,009	2,444,617	3,043,447	3,069,352
Outward	1,600,311	1,823,005	974,391	1,034,038
Total inward and outward	4,846,320	4,267,622	4,017,838	4,103,390
Number of vessels, including ships and barges	943	813	1,023	840

The Board of Trustees of the Galveston Wharves

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

2017	2016	2015	2014	2013	2012
734,932	2,466,931	3,073,498	1,553,860	914,099	1,088,386
455,945	565,277	620,731	721,562	542,121	700,104
1,225,701	1,303,459	904,659	1,666,465	2,127,632	2,080,702
-	-	-	-	-	10,818
484,661	486,797	520,697	504,542	439,178	337,912
486,296	383,320	483,722	495,067	429,382	548,476
-	-	-	-	11,897	20,178
3,387,535	5,205,784	5,603,307	4,941,496	4,464,309	4,786,576
2,342,006	2,631,508	5,296,181	3,103,258	3,314,967	3,404,705
902,805	2,574,276	307,126	1,838,238	1,149,342	1,381,871
3,244,811	5,205,784	5,603,307	4,941,496	4,464,309	4,786,576
734	752	810	846	912	803

The Board of Trustees of the Galveston Wharves

Cruise Traffic
Last Ten Fiscal Years

Year	Cruise Ship Calls	Cruise Passengers	Vehicles Parked
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
2021*	127	565,090	37,679

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

Source: Port of Galveston Records

The Board of Trustees of the Galveston Wharves

Number of Employees and Gross Wages Paid
Last Ten Fiscal Years

Year	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)
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
2021	26	29	36	91	5,923,588

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

Operating Facilities
December 31, 2021

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.
Cruise Terminal 10	Home Port to Royal Caribbean International including a New 120,000 SF purpose built terminal building, 10 acres of on-site ground parking with associated roadways, traffic signals, lighting, landscaping, shuttle system and pedestrian walkways. Upgraded wharf and mooring equipment to support Oasis Class vessels.
Refrigerated Warehouse and Distribution Center/Terminal at Pier 16-18	Services importation of refrigerated bananas and other fruit and produce. Quick access to Interstate Hwy. 45. Phase I and Phase II expansion projects completed in 2009. Phase III expansion project was completed in 2011. Phase IV and V expansion projects completed in 2012. Pier 18 expansion (40 feet wide by 600 feet long) completed 2012. Pier 16 expansion (40 feet wide by 600 feet long) completed 2013. Uplands acreage expanded (2 acres) in 2015. Additional land added under lease in 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, including on-site parking. Ability to take on additional cruise lines and passengers. Expansion of mooring capabilities at Cruise Terminal No. 25 to accommodate the largest Carnival Cruise Line vessel was completed in early 2018. Expansion of Cruise Terminal No. 27 to accommodate larger cruise vessels completed in 2016.
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.

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, containers and livestock. 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 70,000 short tons. Serviced by BNSF and Union Pacific Railroads. Facility rail track expansion to handle shuttle trains completed in 2012.
West End RoRo and General Cargo Piers 37-40	Services major RoRo cargo ship ocean lines. Major RO-RO Hub Port on Gulf Coast. Totals 45 acres, including 7.26 acres for FTZ Zone 36 and Caterpillar EPC. Also transloading military household goods for ARC.
The Old Navy Dock on adjacent Pelican Island	Tenant offers a full range of maritime support services including salvage and emergency pollution response solutions for worldwide deployment.
Shipyard Operation on adjacent Pelican Island	Property is 110 acres plus docks, piers and dry-dock facility operated by a major Port tenant. Facility repairs oil rigs, ships, barges and research vessels and is a major local employer providing a major source of rental income to the Port.
Pelican Island Storage Terminal, Inc.	Liquid bulk terminal operated by Port tenant moving carbon black and heavy fuels. Tank storage capacity is 2.3 million barrels.

GALVESTON WHARVES

The Port Employees Participate in Pier 10 Clean Up Day


CARNIVAL BREEZE