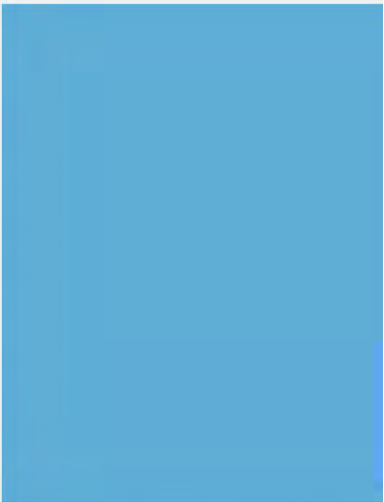


THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES

A Component Unit of the City of Galveston, Texas

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2024





ANNIVERSARY
EST. 1825

**GALVESTON
WHARVES**

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES

A Component Unit of the City of Galveston, Texas

Annual Comprehensive Financial Report

For the Year Ended December 31, 2024



Port of Galveston, Texas

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES

A Component Unit of the City of Galveston, Texas

Annual Comprehensive Financial Report

For the Year Ended December 31, 2024



Fiscal Year Ended
December 31, 2024

Prepared By:
Finance Department

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2024

Table of Contents

Introductory Section	Page
Directory of officials	iv-v
Organizational chart	vi
Port contact information	vii
Letter of transmittal from the CFO	ix-xvi
Profile of the government	x
Budgetary process	xi
Local economic condition and outlook	xii-xv
Awards	xv
Relevant financial policies	xv
Acknowledgments	xv
Financial Section	
Independent auditor's report	3-5
Management's discussion and analysis (Unaudited)	7-17
Basic Financial Statements	
Statement of net position	20-21
Statement of revenues, expenses and changes in net position	22
Statement of cash flows	23-24
Statement of fiduciary net position	25
Statement of changes in fiduciary net position	26
Notes to financial statements	27-57
Required supplementary information	
Schedule of changes in net pension liability (asset) and related ratios	60-61
Schedule of plan pension contributions	62
Statistical Section	
Condensed statement of net position	66-67
Condensed statement of changes in net position	68-69
Operating revenue statement	70-71
Schedule of ten largest revenue generating customers	72-73
Debt service schedule	74
Schedule of long-term debt	75
Pledged net revenue coverage	76-77
Demographic and economic statistics	78
Principal employers in the City of Galveston	79
Tonnage handled through facilities, port activity, inward/outward	80-81
Cruise traffic	82
Number of employees and gross wages paid	83
Operating facilities	84-85

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2024

Table of Contents








Federal and State Single Audit Section	Page
Schedule of expenditures of federal awards	89
Schedule of expenditures of state awards	90
Notes to schedule of expenditures of federal awards and Schedule of expenditures of state awards	91
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards – Independent auditor's report	92-94
Report on compliance for each major federal program and report on internal control over compliance – Independent auditor's report	95-96
Schedule of findings and questioned costs	97-98

INTRODUCTORY SECTION



Directory of Officials

2024 Board of Trustees of the Galveston Wharves

<div>CHAIRMAN</div>  <div>Victor Pierson</div>	<div>VICE CHAIRMAN</div>  <div>Jeff Patterson</div>	<div>MAYOR/TRUSTEE</div>  <div>Craig Brown</div>	<div>TRUSTEE</div>  <div>Sheila Lidstone</div>
	<div>TRUSTEE</div>  <div>Willy Gonzalez</div>	<div>TRUSTEE</div>  <div>Richard Moore</div>	<div>TRUSTEE</div>  <div>James D. Yarbrough</div>

Directory of Officials (continued)

BOARD OF TRUSTEES

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

OFFICERS AND EXECUTIVE STAFF

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

GENERAL COUNSEL

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

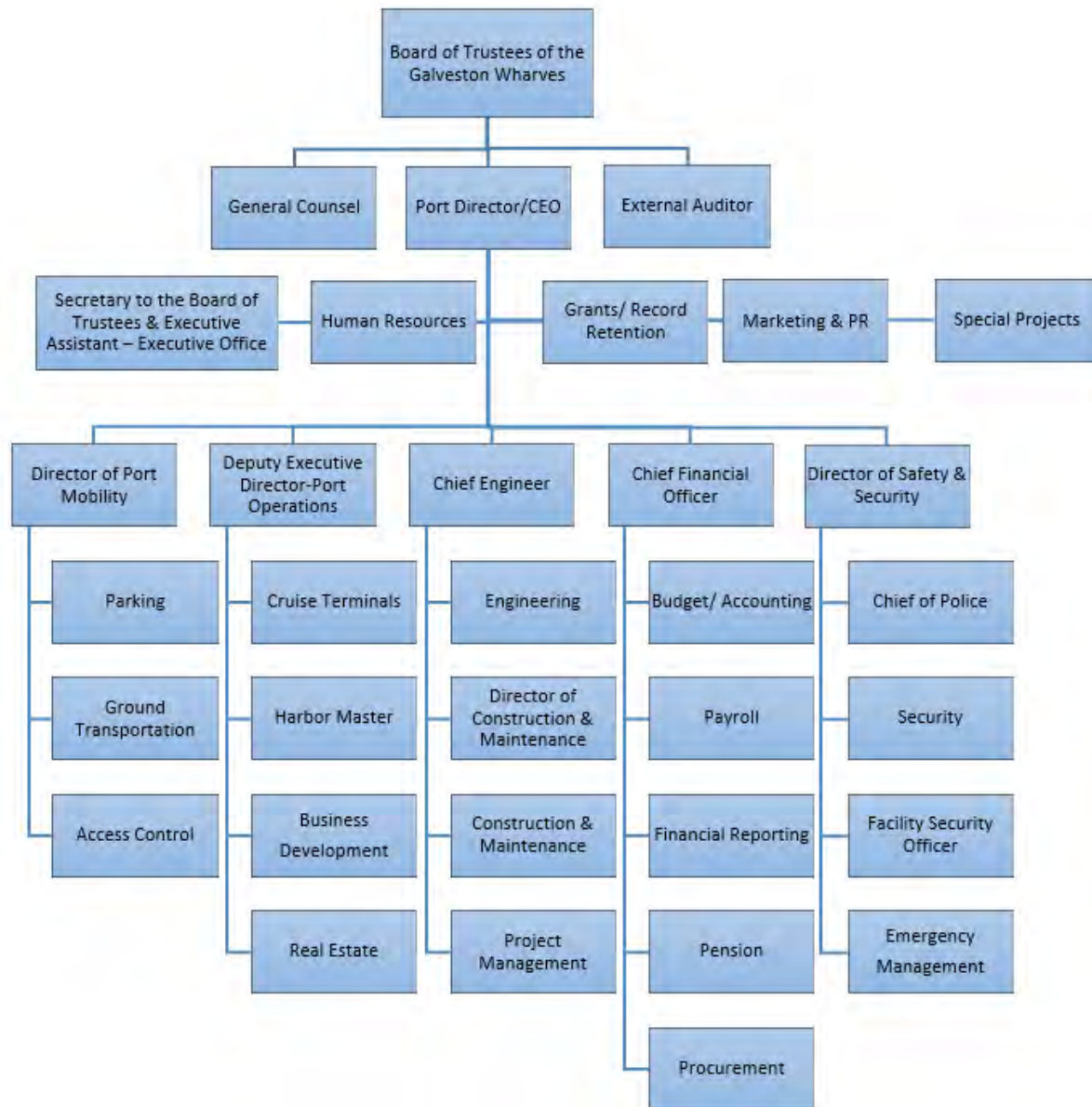
BOND COUNSEL

Bracewell & Giuliani, L.L.P.

AUDITORS

Forvis Mazars, LLP.

Organizational Chart



Port Contact Information

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

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

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2024



Wind Tower Parts and Blades at Port of Galveston, Texas



GALVESTON WHARVES

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

Letter of Transmittal

May 1, 2025

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

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Board of Trustees of the Galveston Wharves (Port of Galveston or the Port) for the year ended December 31, 2024. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Port of Galveston. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the Port of Galveston. All disclosures necessary to enable the reader to gain an understanding of the Port of Galveston's financial activities have been included.

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

Independent Auditors selected by the Board of Trustees have audited the financial statements for the year ended December 31, 2024. The Independent Auditor's report is included in front of the financial section of this report.

The audit was designed to meet the requirements of generally accepted auditing standards. When the Port of Galveston meets the requirements of the Single Audit Act of 1984 and related Uniform Guidance, and/or the State of Texas Grants Management Standards and related guidance, the audit is designed to also meet these requirements. The Port met the requirements of a Federal Single Audit and the State of Texas Single Audit in 2024. The report related to the Single Audit Act is included with the 2024 Annual Comprehensive Financial Report.

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

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

Profile of the Government

Spanning two centuries, the Port of Galveston's fascinating history could fill a book with tales of pirates, naval battles, riches, and resilience. The Port of Galveston is the oldest port in the Gulf of America west of New Orleans. It was established by a proclamation issued by the Congress of Mexico on October 17, 1825, while the land known as Texas still belonged to Mexico. The Port will mark its 200th anniversary in 2025.

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

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

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

Since then, key milestones have included the federal harbor deepening from 36 feet to 40 feet in 1976, longtime tenant Wallenius Lines moving its cargo operations to the port in 1995, and the first sailing of the *Carnival Celebration*, the first cruise ship to homeport here, in 2000.

Today, the 840-acre port is a thriving commercial center with infrastructure and assets to serve growing cruise, cargo, and commercial businesses. The Port is the fourth most popular cruise home port in the U.S., hosting five major cruise lines and more than 3.4 million cruise passengers movements a year.

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

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

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

Galveston Island is connected to the Texas mainland by two vehicular causeways, I-45 and a railroad bridge on the northwest side of the island, as well as a third highway bridge to the Texas mainland across the San Luis

Pass at the southwestern tip of the island. On the island's eastern tip, a free state highway ferry service provides access to Bolivar Peninsula.

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

As the fourth most popular cruise home port in North America, the Port had 386 sailings in 2024 with 3,401,455 passenger movements, which include passenger embarkations and debarkations. It is expected to have more than 400 sailings in 2025 and 443 sailings in 2026. The Port has three cruise terminals: Cruise Terminal 25, which underwent major renovations in 2023, to serve primarily Carnival Cruise Line, Cruise Terminal 28, and Cruise Terminal 10, which opened in November 2022 to serve Royal Caribbean. Currently, Cruise Terminal 16 is under construction and schedule to service MSC and Norwegian cruise lines in the fourth quarter of 2025. The Port also owns and operates 6,092 cruise parking spaces used for all operations, which will increase by 2,311 spaces when Cruise Terminal 16 complex is completed in fourth quarter 2025.

The Port leases and maintains a wide range of cargo facilities on the Federal Channel, which is ranked among the top 40 busiest U.S. cargo waterways. In 2024, the Port moved 3.4 million tons of cargo, including bulk, roll-on/roll-off and general cargoes. Cargo infrastructure includes an internal roadway, two Class 1 rails and one short-line rail. The Port has 12,508 linear feet of developed waterfront and 17 berths. More than 307 acres of Port-owned land are available for development.

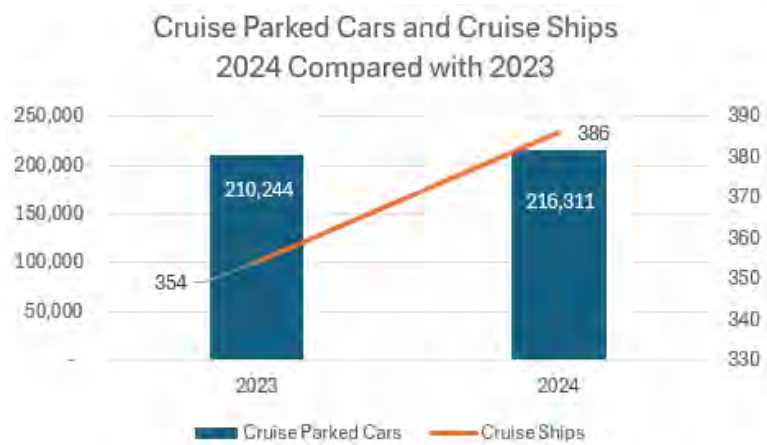
Budgetary Process

During the fourth quarter of each year, the Board of Trustees adopts an annual budget for the period beginning January 1 through December 31 of the following year. This budget is based on the Port's recommended tariff rates, projected revenues, operating expenses, debt service and capital improvement plans. Should a situation arise where actual results may vary significantly from budgeted results, the Board of Trustees may adopt an amended budget. There was no adoption of an amended budget in 2024.

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

Local Economic Condition and Outlook

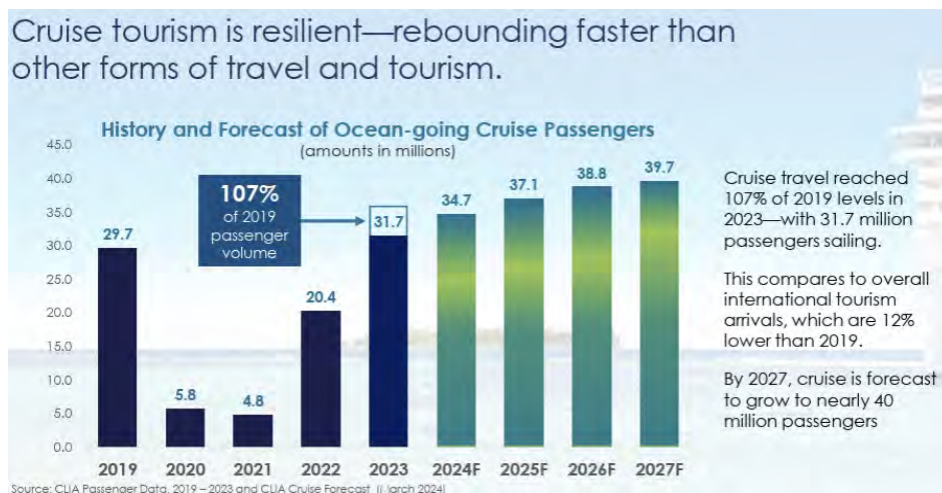
The Port welcomed a record setting 386 cruise ships, 3,401,455 cruise passenger movements, and 216,311 cruise cars parked. The following graph shows cruise parked cars and cruise ships for 2024 compared with 2023:



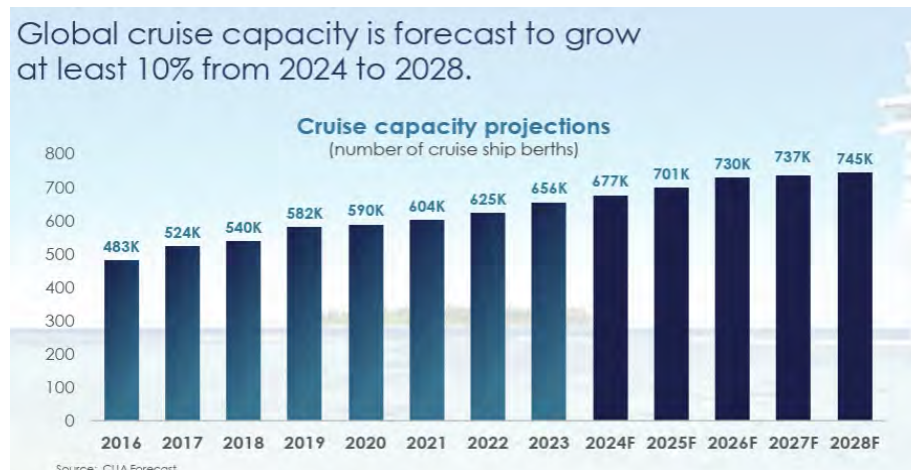
The Port has 6,092 parking spaces, of which the majority is used for Cruise Parking Operations. This includes 3,928 Economy Lots, Express, and garage parking spaces used primarily for Cruise Terminal 25 and 28 operations. The Port also provides parking spaces to support the Fishing Charters, restaurant tenants, as well as The Strand retail and restaurant employees.

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

According to the Cruise Lines International Association's (CLIA) *State of the Cruise Industry May 2024*, the global cruise industry demonstrated remarkable resilience and growth in 2023, with 31.7 million passengers—107% of 2019 levels. CLIA forecasts continued expansion, with passenger volume projected to approach 40 million by 2027.



With cruise capacity projected to grow by 10% between 2024 and 2028, the outlook for the industry remains strong. Cruise continues to be one of the fastest-growing sectors of tourism." According CLIA, the cruise sector generated a global economic impact of \$138 billion in 2022, supporting 1.2 million jobs worldwide, including more than 900,000 through onshore activities at ports. Every 24 cruise passengers support one-full-time equivalent job, adding value before, during, and after sailing. These numbers are expected to grow significantly with the rise in passenger volume and new ship launches. Locally, the Port of Galveston continues to benefit from this robust recovery as Texas' only cruise homeport, driving tourism spending, job creation, and business activity throughout the region.



Strategic Planning and Capital Investment

The Port of Galveston developed a 20-year Strategic Master Plan in 2019 with the assistance of Bermello Ajamil & Partners, Inc., to guide Port growth. The projects proposed in the master plan were approved in February of 2020. Based on one and one-half years of research, including meetings with stakeholders and the public, this comprehensive business-driven road map is guiding the Port in making business decisions, identifying opportunities, and prioritizing capital improvement projects. The strategic master plan is updated regularly as market demand, business strategies, and funding sources evolve. The Port updated the capital projects in the 20-year strategic master plan in 2024 and is currently working on an in-depth update to the entire Master Plan.

The Port is expanding the existing debt program for the purpose of development of a fourth cruise terminal complex located at the Pier 16 area. And scheduled for completion in 2025 with MSC and Norwegian Cruise lines calling at this location. The complex consists of a cruise terminal, a parking structure and ground parking.

- **East Port Projects** - Cruise Terminal 10, which opened in November of 2022 was built in partnership with Royal Caribbean. Royal Caribbean built the 161,000-square-foot terminal, and the Port completed pier repairs, site work, utilities, and additional cruise surface parking. Additionally, the Port completed construction of the East End Cruise Corridor, which was partially funded through a TxDOT grant.
- **Mid Port Projects** - Mid Port projects included renovations and improvements to accommodate larger ships at Cruise Terminal 25, which were completed in December 2023. The Port received a TxDOT grant to complete a portion of interior roadway in its central commercial area, restoration of the skywalk over Harborside Drive connecting a Port parking garage to an area just outside Cruise Terminal 25, and roadway improvements along the Wharf Road. In 2025, the Port has a fourth cruise terminal complex located at Pier 16 under construction, scheduled to open fourth quarter of 2025. The fourth cruise terminal was originally planned for development in 2030 and 2031 per the master plan.

- **West Port Projects** - The Port broke ground in 2024 on infrastructure work to expand and improve its West Port Cargo Complex. The Port is investing in five projects to increase usable acreage for cargo handling and to build a new berth. The projects under way include paving and roadway improvements, enclosing two outdated slips, filling one slip, and demolishing a decommissioned grain elevator. Improvements are funded with a state grant and Port cash reserves, largely generated from the Port's growing cruise business.
- **Other Grants** - The Port of Galveston also received approval for a federal port security grant related to video surveillance expansion and training. The Port will continue to pursue federal port security grants, TxDOT grants, and local Industrial Development Corporation (IDC) grants. These grants range from 100 percent funding to projects with a 25 percent or more Port cost share. Generally, port security grants have a 25-percent Port cost share.

Port Economic Impact

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

City of Galveston Local Impact

The Port made payments to the City of Galveston, Texas including apportioned sales taxes, totaling \$2.9 million in 2024. The largest payments to the city include long-term parking fees of \$1.3 million, local sales taxes of \$0.6 million and cruise passenger charges of \$0.8 million passed through from the cruise lines to the city. The Port made payments to other Galveston vendors of \$22.9 million in 2024, which represents 22.9 percent of Port operating payments.

Green Marine Initiative

In 2019 the Port of Galveston joined and began seeking certification from Green Marine. The Green Marine journey took us to certification in the voluntary environmental program in 2021. With the commitment of our Board of Trustees and staff, we're identifying opportunities for environmental initiatives unimagined just a few years ago. Green Marine helps guide the Galveston Wharves and others in the North American maritime industry who want to reduce their environmental footprints in areas like air and water pollution, waste management, and community impacts. To maintain Green Marine certification, the Port must benchmark our annual environmental performance through Green Marine's self-evaluation guides and show improvement each year. The results are confirmed by an accredited external verifier and published by Green Marine. Notable accomplishments in 2024 include the following:

- **Electric vehicle charging stations:** The port installed 28 electric vehicle charging stations for port parking customers with funding from a \$35,000 state grant matched with \$40,000 from the port.
- **Clean LNG marine fuel:** *Carnival Jubilee*, the first LNG-fueled cruise ship to homeport in Galveston, has been fueled by LNG barge since early 2024.
- **Shore power to improve air quality:** We've begun procurement for our state grant from TCEQ to fund a microgrid pilot project to bring shore power for cargo ships. Progress has been made on a final project cost estimate to provide shore power to cruise ships while docked in Galveston.
- **Greenhouse gases study:** After establishing a baseline for measuring greenhouse gases at the port, we established performance targets and strategies to reduce emissions.
- **Water quality plans:** The port developed a Storm Water Pollution Prevention Plan to prevent and/or reduce pollutants in stormwater discharges from waterfront construction sites.
- **Renewable energy:** The port has transitioned to an electricity provider that sources 100-percent renewable energy.

In 2025, the Port will build on goals around air quality, clean energy, waste reduction and community leadership.

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

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Finance Reporting to The Board of Trustees of the Galveston Wharves for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2023. This was the 31st consecutive year that the Port of Galveston has achieved this prestigious award. In order to receive a Certificate of Achievement, candidates must publish an easily readable and efficiently organized ACFR. This report must satisfy both accounting principles accepted in the U.S. and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Port of Galveston staff believe that the 2024 ACFR continues to meet the Certificate of Achievement Program's requirements. The Port will submit the report to the GFOA to determine its eligibility for another certificate.

Relevant Financial Policies

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

Acknowledgments

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

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

Respectfully submitted,



Mark R. Murchison

Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Board of Trustees of the Galveston Wharves
Texas**

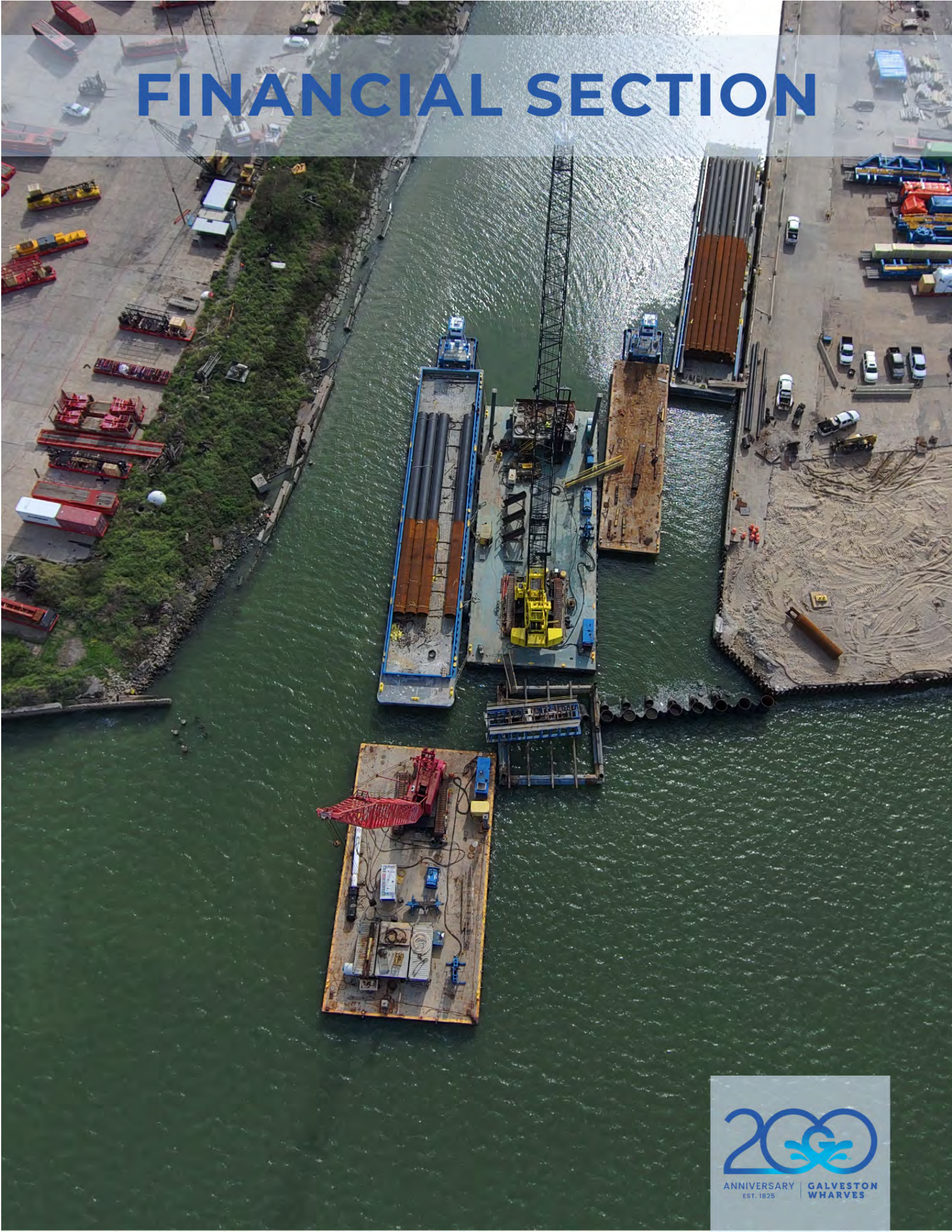
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2024



Port kicks off \$90M cargo project

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of The Board of Trustees of the Galveston Wharves (Port), a component unit of the City of Galveston, Texas, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities as of December 31, 2024, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and,

therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The schedule of expenditures of federal awards and the schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures

in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2025 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Houston, Texas
May 1, 2025**



ANNIVERSARY
EST. 1825

**GALVESTON
WHARVES**

Management's Discussion and Analysis

**Management's Discussion and Analysis (Unaudited)
December 31, 2024**

Financial Highlights

The Port saw record-setting revenues in 2024 attributable to 386 cruise ship calls or an increase of 32 cruise ship calls, increased cruise passenger embarkations and debarkations of 422,179 and increased cruise related parking of 6,067 vehicles. Lay vessels of 351 represented an increase of 4 calls in 2024 over 2023. Overall, the Port posted operating revenues of \$79.3 million, with \$60.8 million, or 77% attributable to cruise, cruise parking, and cruise ground transportation, compared to 2023 revenues of \$67.5 million which included \$48.7 million attributable to cruise, cruise parking, and cruise ground transportation. Overall parking revenues of \$26.8 million were \$3.6 million over 2023. Operating income of \$ 29.1 million increased from \$24.6 million in 2023. The Port handled 3.4 million tons of cargo, down 0.3 million from 2023, primarily due to the termination of produce shipments from the Port. Cash used for the acquisition and construction of capital assets totaled \$62.1 million and net cash provided by operations was \$22.8 million in 2024, resulting in unrestricted cash available of \$46.3 million as of December 31, 2024.

Overview of the Financial Statements

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

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

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

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Port's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in this statement result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

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

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

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

**Management's Discussion and Analysis (Unaudited)
December 31, 2024**

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements may be found beginning on page 27 of this report.

Other Information

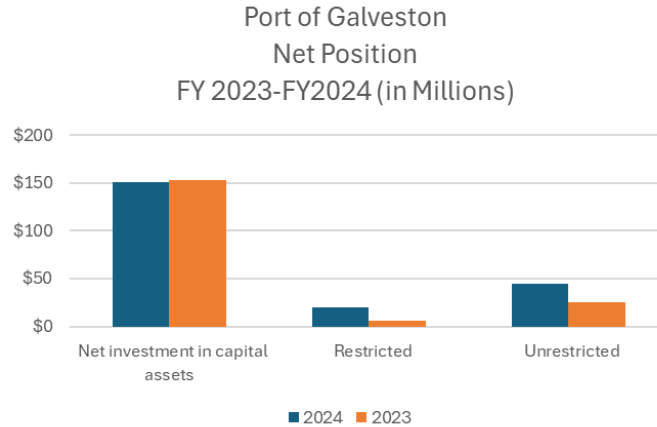
In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information (RSI) immediately following the Basic Financial Statements and related notes section of this report. RSI provides trend information related to the Port's pension benefit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

Financial Analysis of the Port

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

	2024	2023	Increase (Decrease) Over Prior Year
Current assets	\$ 211,048	\$ 64,406	228%
Capital assets	294,614	223,823	32%
Other noncurrent assets	242,555	247,232	(2)%
Total assets	748,217	535,461	40%
Deferred outflows of resources	-	2,152	(100)%
Current liabilities	71,692	45,652	57%
Long-term liabilities	224,828	60,502	272%
Net pension liability	1,138	3,399	100%
Total liabilities	297,658	109,554	172%
Deferred inflows of resources	234,894	244,401	(4)%
Net position:			
Net investment in capital assets	146,952	152,290	(4)%
Restricted for debt service	20,265	5,807	249%
Unrestricted	48,449	25,561	90%
Total net position	\$ 215,666	\$ 183,658	17%

Management's Discussion and Analysis (Unaudited)
December 31, 2024



Statement of Net Position

The Port's net position increased by \$32.0 million to \$215.7 million during the fiscal year ended December 31, 2024. Net investment in Capital Assets decreased from \$152.3 million to \$147.0 million, including right of use assets. The decrease in net investment in capital assets from fiscal year 2023 to 2024 can be mostly attributed to capital asset depreciation expense in fiscal year 2024, as compared with fiscal year 2023. Net Position restricted for debt service increased from \$5.8 million to \$20.3 million. This increase is due from the debt service required for the issuance of Series 2024A (AMT) and Series 2024B (NON AMT) revenue bonds. The unrestricted Net Position increased from \$25.6 million to \$48.4 million.

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

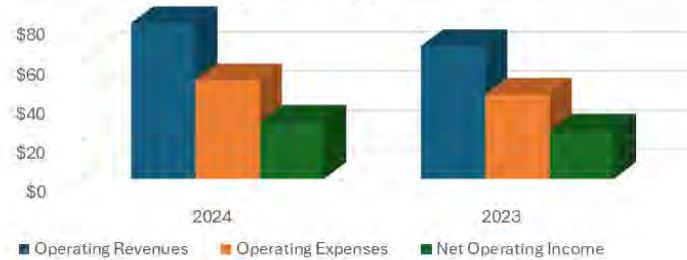
**Management's Discussion and Analysis (Unaudited)
December 31, 2024**

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):

	2024	2023	Increase (Decrease) Over Prior Year
Operating revenues:			
Vessels and cargo services	\$ 33,331	\$ 27,330	22%
Building and facilities rental and fees	45,935	40,209	14%
Total operating revenues	79,267	67,538	17%
Operating expenses:			
Personnel services	17,074	14,470	18%
Maintenance and operations	13,595	12,907	5%
Sales and office	5,924	4,860	22%
Depreciation	13,564	10,692	27%
Total operating expenses	50,157	42,928	17%
Operating income	29,108	24,610	18%
Nonoperating revenues (expenses):			
Earnings on investment	5,239	1,546	239%
Other income	736	49	1401%
Loss on sale of assets	(511)	(492)	4%
Loss on capital lease modifications/terminations	(6)	(105)	-94%
Interest expense	(6,002)	(632)	850%
Costs of bond issuance	(1,962)	(1,172)	68%
Annual City payment	(198)	(195)	2%
Recovery, restoration and other nonoperating revenues and expenses	(1,082)	-	100%
FEMA/TDEM Claims-IKE	(181)	(382)	-53%
Total nonoperating revenues (expenses)	(3,967)	(1,383)	187%
Income before capital grants and contributions	25,142	23,227	8%
Capital grants and contributions	6,865	1,017	575%
Changes in net position	32,007	24,244	32%
Beginning net position	183,659	159,415	15%
Ending net position	\$ 215,666	\$ 183,659	17%

Management's Discussion and Analysis (Unaudited)
December 31, 2024

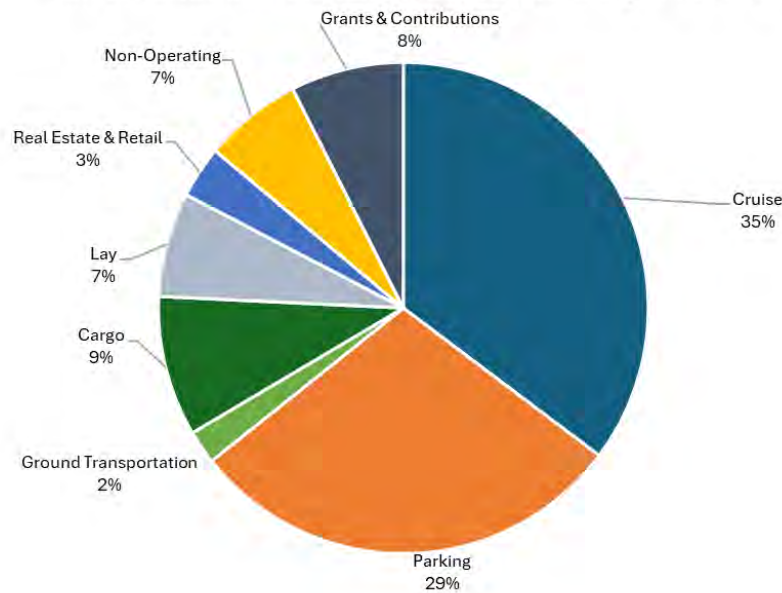
Port of Galveston
Operating Revenue, Expenses, and Income
(in Millions)



Operating Revenue

Operating revenue increased \$11.7 million, or \$17% in 2024 from the prior year. Vessel and cargo services increased \$6.0 million and can be attributed to increased cruise related revenue. Building and facilities rental and fees increased \$5.7 million due primarily to increased parking revenue. The increase in both cruise and parking revenue is due to increased cruise activity.

Port of Galveston - Total Revenue by Major Activity - FY 2024

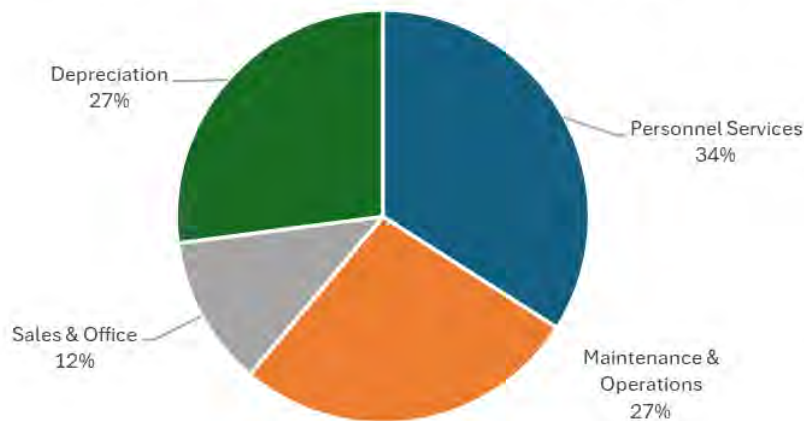


Management's Discussion and Analysis (Unaudited)
December 31, 2024

Operating Expenses

Operating expenses increased \$7.2 million or 17% in 2024. Personnel related expenses increased \$2.6 million due primarily to filled positions and salary adjustments. Maintenance and operations expenses increased \$0.7 million mostly related to increased insurance costs. Sales and office expenses increased \$1.1 million due primarily to higher cruise activity. Depreciation/amortization expenses increased \$2.9 million from capitalizing depreciable projects.

Port of Galveston - Total Expenses - FY 2024



Non-operating Revenue and Non-operating Expenses

Non-operating revenue increased \$4.4 million, or 275%. Investment income increased \$3.7 million due to increased cash balances related to unspent bond proceeds as well as higher interest rates. Other income increased \$0.7 million due to the amortization of deferred bond premiums related to Series 2024A (AMT) and Series 2024B (NON AMT).

Non-operating expenses increased \$7.0 million, or 234%. Bond interest expense increased \$5.4 million due to the Series 2023, S2024A (AMT) and Series 2024B (NON AMT) bonds. Bond issuance expense increased \$0.8 million due to the issuance of Series 2024A (AMT) and Series 2024B (NON AMT) bonds. Recovery cost related to Hurricane Beryl increased \$1.1 million. These increases were offset by other small decreases of \$0.3 million.

Tonnage, Passengers and Vehicles

Cargo tonnage decreased 7% from 4.0 million tons to 3.6 million tons. The decrease was primarily due to Del Monte's lease ending. Liquid bulk and roll-on/roll-off cargo account for 83% of all tonnage.

Cruise passenger movements (embarkations/debarkations) increased 14% from 2,979,276 to 3,401,455 due to a full-year of cruise ship sailings from the Cruise Terminal 25 resulting in 32 additional sailings.

Parking increased 3% from 210,244 vehicles to 216,311 vehicles primarily due to having a full-year of cruise ship sailings from Cruise Terminal 25.

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

**Management's Discussion and Analysis (Unaudited)
December 31, 2024**

Fiduciary Fund

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

Fiduciary Fund Financial Highlights and Analysis

- Net position restricted for pensions is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. Net position restricted for pensions increased by \$1.2 million, or 8%, in 2024. Net investment income was \$2.0 million in 2024 compared to net investment income of \$2.3 million in 2023.
- Investments increased by \$1.4 million, or 10%, from 2023 to 2024. This was primarily due to an increase in the fair value of investments
- Employer contributions remained unchanged at \$505,000 from 2023 to 2024. The Plan's actuary prepares an annual valuation. As part of this valuation, the Plan actuary calculates the actuarial determined contribution, and the Plan sponsor contributes at a minimum in accordance with this calculation.
- The amount of benefits paid to participants during 2024 remained near 2023 benefit payments.
- The Plan's rate of return on investments for the year ended December 31, 2024, was 14%. The actuarial assumed rate of return in 2024 was 7%.

	2024	2023	Percentage Change
Assets			
Cash and cash equivalents	\$ 422,195	\$ 645,657	(34.6)%
Receivable benefits	-	24,116	
Prepaid benefits	107,629	107,150	0.4%
Investments	15,107,726	13,697,065	10.3%
Total assets and net position	15,637,550	14,473,988	8.0%
Additions:			
Employer contributions	505,000	505,000	0.0%
Net Investment income	1,979,559	2,291,256	(13.6)%
Other	3,295	-	
Total additions	2,487,854	2,796,256	(11.0)%
Deductions:			
Benefits paid to participants	1,294,096	1,282,082	0.9%
Administrative expenses	30,196	63,070	(52.1)%
Total deductions	1,324,292	1,345,152	(1.6)%
Net increase in net position	\$ 1,163,562	\$ 1,451,104	(19.8)%

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

**Management's Discussion and Analysis (Unaudited)
December 31, 2024**

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2024, capital assets before depreciation, which includes both depreciable and non-depreciable assets along with construction work in progress, totaled \$434.4 million, an increase of \$82.0 million over 2023. Accumulated depreciation as of year-end is \$139.8 million, an increase of \$11.2 million over 2023. The following is a comparison of capital assets for the years ended December 31 (in 000's):

	2024	2023
Land	\$ 18,221	\$ 18,220
Channel deepening	18,388	18,388
Construction in progress	78,233	5,261
Total capital assets, nondepreciable	114,841	41,870
Land leases	3,580	3,580
Railway facilities	2,305	2,306
Wharves, docks and buildings	288,187	282,521
Wharves, docks and building leases	4	508
Machinery and equipment	17,062	15,179
Machinery and equipment leases	133	134
Furniture and office equipment	4,982	4,759
Intangible assets	1,031	1,031
Software subscriptions	2,287	498
Total capital assets being depreciated/amortized	319,568	310,514
Less allowance for depreciation and amortization	(139,797)	(128,560)
Total assets being depreciated/amortized, net	179,773	181,954
Total capital assets, net	\$ 294,614	\$ 223,823

Non-depreciable capital assets of \$114.8 million increased \$73.0 million, primarily related to additions of \$82.4 million, offset by transfers to depreciable capital of \$8.5 million mainly related to Cruise Terminal 25 improvements and renovations. Total capital assets being depreciated/amortized, net, of \$179.8 million decreased \$(3.3) million, which is the net of an increase in capital assets being depreciated/amortized of \$9.1 million and accumulated depreciation/amortization increase of \$11.2 million.

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

Debt Administration

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

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

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

**Management's Discussion and Analysis (Unaudited)
December 31, 2024**

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

Issue	Balance at December 31,			Balance at December 31,		Amounts Due Within
	2023	Increases	Decreases	2024	One Year	
Direct Placements	\$ 10,096,700	\$ -	\$ (4,624,035)	\$ 5,472,665	\$ 4,689,303	
Revenue Bonds	51,460,000	156,835,000	(2,155,000)	206,140,000	1,575,000	
U.S. Corps of Engineers	3,271,450	-	-	3,271,450	260,859	
		\$	\$			
	\$ 54,731,450	156,835,000	\$ (2,155,000)	209,411,450	\$ 1,835,859	

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

Economic Factors and Next Year's Rates

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

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

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

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

Projected 2025 cruise revenue of over \$36 million is expected as the Port is on track to set new records with more than 400 cruise sailings scheduled in 2025. Parking revenues are expected to remain strong with over \$28 million in revenues expected in 2025.

In 2025, various grants, including federal port security grants and TXDOT grants, will continue to support infrastructure improvements within the Port and the Port is committed to pursuing additional funding opportunities. Additionally, the construction of Cruise Terminal 16 and a parking garage were began in 2024, for first sailing set for November 2025.

Contacting the Port's Financial Management

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



ANNIVERSARY
EST. 1825

**GALVESTON
WHARVES**

Basic Financial Statements

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

**Statement of Net Position
December 31, 2024**

Assets

Current assets-unrestricted:	
Cash and cash equivalents	\$ 46,304,655
Accounts receivable, net	12,985,794
Prepaid items	711,462
Short term lease receivables	6,435,726
Current assets-restricted	
Cash and cash equivalents	<u>144,610,831</u>
Total current assets	<u>211,048,468</u>
Noncurrent assets:	
Capital assets:	
Capital assets, nondepreciable	114,840,987
Capital assets, net of depreciation	175,154,407
Capital right of use assets, net of amortization	<u>4,618,196</u>
Total capital assets	<u>294,613,590</u>
Other assets:	
Lease receivables	<u>242,555,098</u>
Total other assets	<u>242,555,098</u>
Total noncurrent assets	<u>537,168,688</u>
Total assets	<u><u>\$ 748,217,156</u></u>

(Continued)

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

**Statement of Net Position (Continued)
December 31, 2024**

Liabilities

Current liabilities:

Accounts payable	\$ 38,172,394
Accrued expenses	3,301,484
Payable to other governments	652,401
Accrued compensated absences	770,772
Unearned revenues and rents	4,313,418
Due to FEMA/TDEM-IKE	11,282,711
Interest payable	4,251,238
Long-term liabilities due within one year	875,334
Long-term liabilities due within one year (payable from restricted assets)	8,072,065

Total current liabilities	71,691,817
----------------------------------	-------------------

Noncurrent liabilities:

Accrued compensated absences	1,086,304
Long-term liabilities due in more than one year	223,741,681
Net pension liability	1,137,761

Total noncurrent liabilities	225,965,746
-------------------------------------	--------------------

Total liabilities	297,657,563
--------------------------	--------------------

Deferred inflows of resources:

Deferred inflows of resources - gain on refunding	25,029
Deferred inflows of resources - pension items	258,056
Deferred inflows of resources - lease related	234,610,577

Total deferred inflows of resources	234,893,662
--	--------------------

Total liabilities and deferred inflows of resources	532,551,225
--	--------------------

Net Position:

Net investment in capital assets	146,951,723
Restricted for debt service	20,264,769
Unrestricted	48,449,439

Total net position	215,665,931
---------------------------	--------------------

Total liabilities, deferred inflows of resources and net position	\$ 748,217,156
--	-----------------------

See accompanying notes to financial statements.

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

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2024**

Operating revenues:	
Charges for customers services:	
Vessels and cargo services	\$ 33,330,606
Building and facilities rental and fees	45,936,156
Total operating revenues	79,266,762
Operating expenses:	
Personnel services	17,074,347
Maintenance and operations	13,595,476
Sales and office	5,923,755
Depreciation and amortization	13,563,788
Total operating expenses	50,157,366
Operating income	29,109,396
Nonoperating revenues (expenses):	
Investment income	5,238,995
Other income	736,195
Loss on disposal of capital assets	(510,846)
Loss on lease modifications/terminations	(6,166)
Interest expense	(6,001,809)
Costs of bond issuance	(1,962,370)
Annual city payment	(198,125)
Recovery, restoration and other nonoperating revenues and expenses	(1,081,824)
FEMA/TDEM Claims-IKE	(181,475)
Total nonoperating revenues (expenses)	(3,967,425)
Income before capital grants and contributions	25,141,971
Capital grants and contributions	6,865,490
Change in net position	32,007,461
Net position at beginning of year	183,658,470
Net position at end of year	<u><u>\$ 215,665,931</u></u>

See accompanying notes to financial statements

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

Statement of Cash Flows
Year Ended December 31, 2024

Cash flows from operating activities:	
Cash receipts from customers	\$ 56,315,211
Cash payments to employees, contract labor and related	(16,555,749)
Cash payments to suppliers for goods and services	<u>(16,965,993)</u>
Net cash provided by operating activities	<u>22,793,469</u>
Cash flows from noncapital financing activities:	
Annual city payment	(195,031)
Payments to FEMA/TDEM	<u>256</u>
Net cash used in noncapital financing activities	<u>(194,775)</u>
Cash flows from capital and related financing activities:	
Principal payments on revenue bonds, contracts payable and other long-term liabilities	(6,779,035)
Cost of bond issuance	(1,962,370)
Proceeds from issuance of revenue bonds	169,524,911
Principal and interest payments received on leases	15,244,499
Principal and interest payments on leases and SBITA arrangements	(974,891)
Receipts from capital grants and contributions	647,734
Interest paid—long-term debt	(2,217,722)
Acquisition and construction of capital assets	<u>(62,097,394)</u>
Net cash provided by capital and related financing activities	<u>111,385,732</u>
Cash flows from investing activities:	
Receipts of interest	<u>5,238,995</u>
Net cash provided by investing activities	<u>5,238,995</u>
Net increase in cash and cash equivalents	139,223,421
Cash and cash equivalents at beginning of year	<u>51,692,065</u>
Cash and cash equivalents at end of year	<u><u>\$ 190,915,486</u></u>
Cash and cash equivalents per statement of net position:	
Unrestricted	\$ 46,304,655
Restricted	<u>144,610,831</u>
Cash and cash equivalents at end of year	<u><u>\$ 190,915,486</u></u>

(Continued)

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

Statement of Cash Flows (Continued)
Year Ended December 31, 2024

Reconciliation of operating income to net cash provided by operating activities

Operating Income	\$ 29,109,396
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	13,563,788
Accrual for bad-debt expense	16,222
Lease expense	61,847
SBITA expense	12,723
Lease revenue	(20,933,942)
Changes in operating assets and liabilities:	
Increase in accounts receivable	(714,755)
Increase in prepaid items	(76,509)
Increase in accounts payable	2,929,953
Decrease in accrued expenses	(2,385,549)
Increase in unearned revenues and rents	716,257
Increase in wages payable and accrued absences	129,717
Decrease in deferred outflows—pension items	2,257,044
Increase in deferred inflows—pension items	258,056
Decrease in net pension liability	<u>(2,150,779)</u>
Net cash provided by operating activities	<u>\$ 22,793,469</u>
Noncash investing, capital and financing activities:	
Payables that result in capital assets related to construction	<u>\$ 25,354,288</u>
Retainage payable	<u>\$ 6,177,503</u>

See accompanying notes to financial statements.

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

**Statement of Fiduciary Net Position
December 31, 2024**

	Pension Trust Fund
Assets	
Cash and cash equivalents	\$ 422,195
Prepaid pension benefits	107,629
Investments at fair value:	
Fixed income securities	2,526,819
Common stock	8,066,533
Domestic equities - mid cap	1,573,283
Domestic equities - small cap	642,973
International equities	1,401,550
Real estate	123,589
Emerging markets	772,979
Total investments	<u>15,107,726</u>
Total assets	<u>\$ 15,637,550</u>
Net position restricted for pension	<u>\$ 15,637,550</u>

See accompanying notes to financial statements.

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

**Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2024**

	Pension Trust Fund
Additions:	
Employer contributions	\$ 505,000
Net investment gain:	
Interest and dividends	480,114
Investment realized gains	72,135
Investment unrealized gains	1,498,199
Investment expenses- trustee fees	(70,889)
Other	3,295
Total additions	<u>2,487,854</u>
Deductions:	
Benefits paid to participants and beneficiaries	1,294,096
Administrative expense	30,196
Total deductions	<u>1,324,292</u>
Net increase in fiduciary net position	1,163,562
Net position restricted for pension at beginning of year	<u>14,473,988</u>
Net position restricted for pension at end of year	<u><u>\$ 15,637,550</u></u>

See accompanying notes to financial statements

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

The Board consists of seven members; one member is the ex-officio representative of the City of Galveston City Council and is elected from the City Council (the Council) by council members. The Council appoints the six remaining members for three-year staggered terms. The Board has the powers which are necessary or proper to discharge their responsibilities which include, but are not limited to: the election of a chairman, the employment of a general manager and such other officers and employees as may be required for the proper conduct of the Port, the preparation of budgets, the fixing of charges, the authorization of expenditures, the acquisition of properties, the determination of policies, and in general, the complete management and control of the Port and the income and revenue thereof. The Board has no power to contract in the name of the City and no action or inaction by the Board of Trustees shall render the City liable for damages or shall be binding other than on the properties, income and revenues of the Port. Except for the annual payment of \$198,125, a cruise passenger fee that the Port collects from each cruise line per contractual obligation with the cruise lines and passes the fee on to the City, and cruise parking fees pursuant to a Memorandum of Understanding between the Port and the City whereby an amount per parked car per night is passed through to the City, all net revenues of the Port shall be retained and used by the Port for the betterment and extension of the Port. For reporting purposes, the Port is considered a component unit of the City. As a local government, the Port is exempt from taxes.

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

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

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

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

C. Cash and Cash Equivalents

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

D. Investments

The Pension Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. There were no significant modifications to the investment policy during the year. The following is the Board accepted asset allocation mix as of December 31, 2024 :

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%

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

E. Accounts Receivable

The Port considers most accounts receivable to be fully collectible; however, the Port has created an allowance, where based upon historical attempts at collection, it deems collection to be unlikely. It is the Port's practice to set a reserve of 20.0% for receivables over 90 days, 10.0% for receivables over 60 days and 2.5% for receivables under 60 days. The Port specifically reserves for other receivables that are deemed to be uncollectible from time to time.

F. Prepaid Items

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

G. Capital Assets

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

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

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

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

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

H. Compensated Absences

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

H. Compensated Absences (Continued)

12.0 to 31.5 working days per year and may accumulate up to a maximum of 320 hours measured on employee's hire anniversary date. Full-time employees accumulate sick leave time at the rate of one day per month, not to exceed 960 hours. Upon termination, employees are paid for accumulated vacation time, as well as accumulated sick leave, with sick time being paid up to a maximum of 720 hours. Liabilities for compensated absences are recognized on the Port's financial statements as they accumulate based on employees' current rate of pay as of December 31, 2024.

I. Pensions

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

J. Use of Estimates

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

K. Deferred Outflows and Inflows of Resources

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

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

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

L. Net Position

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

Restricted for Debt Service: Restricted for debt service represents those portions of net position segregated pursuant to the provisions of the 2021 direct placement revenue refunding bonds, wherein the Port transfers each month's payment at the end of the prior month, the 2023 and 2024 revenue bonds whereby the Port transfers payments monthly for annual principal payments to be made on August 1, and interest payments to be made on August 1 and February 1 of each year, and the annual City payment made during the first quarter of each year.

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

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

M. Revenues and Expenses

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

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

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

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

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

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

M. Revenues and Expenses (Continued)

Pension Plan's administrative expenses: All administrative expenses, unless paid by the Port at its discretion, are paid by the Pension Plan. Certain expenses incurred in connection with the general administration of the Pension Plan that are paid by the Plan are recorded as deductions in the accompanying statement of changes in fiduciary net position. In addition, certain investment-related expenses are included in net appreciation (depreciation) in fair value of investments presented in the accompanying statement of changes in fiduciary net position.

N. Actuarial Valuation

The Pension Plan has an actuarial valuation performed annually for financial reporting purposes in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 27*. The most recent actuarial valuation was performed as of December 31, 2024.

O. Pension Plan Risk and Uncertainties

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

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

P. GASB Pronouncements:

Adopted Pronouncements:

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

This statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI).

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

P. GASB Pronouncements (Continued)

For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. This has been implemented and the Port determined there was no effect on the financial statements.

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

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This has been implemented and resulted in an \$363,482 increase in expense in 2024.

Future GASB implementations:

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

GASB Statement No. 103, *Financial Reporting Model Improvements*, April 2024, will be effective for the Port for the fiscal year ending 2026. This Statement requires that governments disclose key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued September 2024, will be effective for the Port for the fiscal year ending 2026. This Statement requires that governments present certain information regarding capital assets by major class.

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

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

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2024, are classified in the accompanying financial statements as follows:

Unrestricted:	
Cash and cash equivalents	\$ 46,304,655
Restricted:	
Cash and cash equivalents	144,610,831
Pension trust fund—cash and cash equivalents	422,195
Total cash and cash equivalents	<u>\$ 191,337,681</u>

Cash and cash equivalents as of December 31, 2024, consist of the following:

Checking and time deposits:	
Cash on hand	\$ 1,000
Deposits with financial institutions:	
Cash on demand - Moody Bank	45,072,798
Cash in investment accounts	45,074,758
Pension Trust Fund - cash held with financial institution	422,195
	<u>90,570,751</u>
Investments:	
Local government investment pools	100,766,930
Total cash and cash equivalents	<u>\$ 191,337,681</u>

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.

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

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

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

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

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

As of December 31, 2024, the Port had the following investments:

Type	Amount	Weighted-Average Maturity Days	Percentage Invested	Fair Value Hierarchy	Credit Rating
Investments measured at amortized cost:					
TexStar investment pool	\$ 100,766,930	36	100%	n/a	AAAM
Total investments	<u>\$ 100,766,930</u>		<u>100%</u>		
Weighted-average maturity days		<u>36</u>			

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

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

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

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

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (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 on December 31, 2024.

Restricted cash, and cash equivalents: Restricted cash and cash equivalents at December 31, 2024, consist of the following:

Restricted:	
Revenue Refunding Bonds Series 2021, Direct Placement	\$ 392,200
Revenue Bonds Series 2023	6,345,715
Revenue Bonds Series 2024A	93,874,693
Revenue Bonds Series 2024B	43,782,431
City of Galveston franchise	185,750
Galveston Wharves 200th Anniversary	30,041
	<u>\$ 144,610,830</u>

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).

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

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

Fiduciary Fund – Pension Trust Fund

Investment Type	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Fair Value
Cash equivalents				
Money market funds taxable	\$ 391,342	\$ -	\$ -	\$ 391,342
Total cash equivalents	\$ 391,342	\$ -	\$ -	\$ 391,342
Fixed income				
U.S. government agency securities	\$ -	\$ 144,151	\$ -	\$ 144,151
Municipal bonds	-	96,520	-	96,520
Corporate bonds	-	2,090,185	-	2,090,185
Foreign bonds	-	195,963	-	195,963
Total fixed income	\$ -	\$ 2,526,819	\$ -	\$ 2,526,819
Equities				
Common stock - domestic	\$ 7,491,733	\$ -	\$ -	\$ 7,491,733
Common stock - international	574,799	-	-	574,799
Real estate investment trust (REIT)	123,589	-	-	123,589
Mutual Funds - domestic	2,283,667	-	-	2,283,667
Mutual funds - international	2,107,119	-	-	2,107,119
Total equities	\$ 12,580,907	\$ -	\$ -	\$ 12,580,907
Total	\$ 12,972,249	\$ 2,526,819	\$ -	\$ 15,499,068

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy does not specifically address the quality rating of the investments. The Board is responsible for determining the risks and commensurate returns of the portfolio. The following table lists Moody's credit rating by investment type at fair value on December 31, 2024, that are subject to credit risk.

Moody's Quality Ratings	U.S. Government				Total
	Agency Securities	Municipal Bonds	Corporate Bonds	Foreign Bonds	
Aaa	\$ 144,151	\$ -	\$ -	\$ -	\$ 144,151
Aa2	-	96,520	95,290	-	191,810
Aa3	-	-	121,374	-	121,374
A1	-	-	1,236,538	96,851	1,333,389
A2	-	-	342,063	99,112	441,175
A3	-	-	294,920	-	294,920
	\$ 144,151	\$ 96,520	\$ 2,090,185	\$ 195,963	\$ 2,526,819

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

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

Fiduciary Fund – Pension Trust Fund (Continued)

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the investments in a single issuer. The investment policy does not specifically address the concentration of credit risk. As of December 31, 2024, there were no concentrations of investments with individual institutions equaling or exceeding 5% of fiduciary net position.

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

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pension Plan does not have a formal policy regarding interest rate risk. The Board monitors credit exposure using segmented time distribution. The following is a listing of the fixed income investments and related maturity schedule (in years) as of December 31, 2024. 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	\$ -	\$ 144,151	\$ -	\$ 144,151
Municipal bonds	-	96,520	-	96,520
Corporate bonds	99,480	1,714,090	276,615	2,090,185
Foreign bonds	-	195,963	-	195,963
	<u>\$ 99,480</u>	<u>\$ 2,150,724</u>	<u>\$ 276,615</u>	<u>\$ 2,526,819</u>

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, 2024, are as follows:

Accounts receivable—trade	\$ 6,761,551
Grants receivable	6,395,205
Less allowance for doubtful accounts	<u>(170,962)</u>
Net accounts receivable	<u>\$ 12,985,794</u>

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

Notes to Financial Statements

Note 4. Capital Assets

Lease and Subscription Assets: The Port's 9 lease assets and 5 subscription assets have balances of \$2,444,143 and \$2,174,053, respectively in the statement of net position as of December 31, 2024. The lease/subscription asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the lease/subscription commencement date. Subsequently, the capital lease/subscription asset is recognized as an expense over the life of the lease/subscription term.

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

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

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

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

Notes to Financial Statements

Note 4. Capital Assets (Continued)

Changes in capital assets during the year ended December 31, 2024, are summarized as follows:

	Balance at January 1, 2024	Additions	Retirements	Transfers/ Reclassification	Balance at December 31, 2024
Capital assets not being depreciated/amortized:					
Land	\$ 18,220,754	\$ -	\$ -	\$ -	\$ 18,220,754
Channel deepening	18,387,690	-	-	-	18,387,690
Construction in progress	5,261,230	82,385,598	-	(9,414,285)	78,232,543
Total capital assets not being depreciated/amortized	41,869,674	82,385,598	-	(9,414,285)	114,840,987
Capital assets being depreciated/amortized:					
Land leases	3,580,172	-	-	-	3,580,172
Railway facilities	2,304,538	-	-	-	2,304,538
Wharves, docks and buildings	282,521,366	-	(1,913,933)	7,579,333	288,186,766
Wharves, docks and building leases	507,895	-	(504,200)	-	3,695
Machinery and equipment	15,178,803	509,073	(116,569)	1,490,278	17,061,585
Machinery and equipment leases	132,920	-	-	-	132,920
Furniture and office equipment	4,759,384	68,740	-	153,560	4,981,684
Intangible assets	1,030,580	-	-	-	1,030,580
Software subscriptions	498,328	2,092,762	(304,558)	-	2,286,532
Total capital assets being depreciated/amortized	310,513,986	2,670,575	(2,839,260)	9,223,171	319,568,472
Less accumulated depreciation/amortization for:					
Land leases	(723,270)	(452,529)	-	-	(1,175,799)
Railway facilities	(854,044)	(46,391)	-	-	(900,435)
Wharves, docks and buildings	(114,527,379)	(10,652,540)	1,403,085	-	(123,776,834)
Wharves, docks and building leases	(372,786)	(133,854)	504,200	-	(2,440)
Machinery and equipment	(8,167,733)	(1,377,750)	116,569	-	(9,428,914)
Machinery and equipment leases	(61,275)	(33,129)	-	-	(94,404)
Furniture and office equipment	(3,377,384)	(409,553)	-	-	(3,786,937)
Intangible assets	(379,702)	(137,927)	-	-	(517,629)
Software subscriptions	(96,922)	(320,115)	304,558	-	(112,479)
Total accumulated depreciation/amortization	(128,560,495)	(13,563,788)	2,328,412	-	(139,795,871)
Total capital assets, being depreciated/amortized, net	181,953,491	(10,893,213)	(510,848)	9,223,171	179,772,601
Capital assets, net	\$ 223,823,165	\$ 71,492,385	\$ (510,848)	\$ (191,114)	\$ 294,613,589

Depreciation and amortization expense for the year ended December 31, 2024, totaled \$ 13,563,788.

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

Notes to Financial Statements

Note 4. Capital Assets (Continued)

Commitments relating to capital construction in progress as of December 31, 2024, are as follows:

	Project Authorization	Project Cost to Date	Remaining Commitment
Port Security Grant 2021 License Plate Reader	\$ 682,000	\$ 413,769	\$ 268,231
Port Security Grant 2022 Video Surveillance & Cybersecurity	836,500	1,101	835,399
Port Security Grant 2024 AIS Base Station & Video Surv.	703,538	-	703,538
Safe Streets & Roads For All Grant	425,000	284,961	140,039
Galveston Harbor Channel Extension	1,904,972	-	1,904,972
Wharf Road Improvements	3,129,723	133,010	2,996,713
West End Port Redevelopment	71,025,563	20,903,173	50,122,390
CT 25 Improvements	59,219,436	57,660,736	1,558,700
Passenger Boarding Bridge Redesign	1,284,000	802,730	481,270
CT 16 Construction	153,959,546	46,554,277	107,405,269
Express Lot Expansion	2,800,000	1,553,908	1,246,092
CT 25 Walkway Engineering	608,049	374,755	233,294
CT 25 Walkway Grant	3,847,592	-	3,847,592
Pier 30-34 Cargo Yard Improvements	3,854,800	1,372,529	2,482,271
CT25/28 Pavement Improvements	300,000	90,447	209,553
OPI 41st - 51st Grant	750,000	-	750,000
I-45 Direct Connect Development Grant	2,250,000	-	2,250,000
Pier 41 Pavement Replacement	6,754,258	2,470,632	4,283,626
West Port Complex Internal Roadway	2,684,395	2,194,006	490,389
Parking Access Control System	515,733	-	515,733
Dredge Material Placement Area Engineering	211,900	-	211,900
OPI Engineering 33rd -41st	881,654	-	881,654
OPI 33rd - 41st Grant	2,495,187	-	2,495,187
Motorola Dispatch Consoles	339,951	-	339,951
Cable Management System Grant	1,924,776	-	1,924,776
Port Authority Studies & Pilot Projects Microgrid Grant	1,000,000	-	1,000,000
Projects under \$200,000	1,486,700	768,576	718,124
Totals	<u>\$ 325,875,273</u>	<u>\$ 135,578,610</u>	<u>\$ 190,296,663</u>

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

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

Notes to Financial Statements

Note 5. Long-Term Liabilities

During the year ended December 31, 2024, the following changes occurred in the Port's long-term liabilities:

Issue	Balance at January 1,			Balance at December 31,		Amounts Due Within
	2024	Increases	Decreases	2024	One Year	
Bonds from Direct Placements	\$ 10,096,700	\$ -	\$ (4,624,035)	\$ 5,472,665	\$ 4,689,303	
Revenue Bonds	51,460,000	156,835,000	(2,155,000)	206,140,000	1,575,000	
Revenue Bonds Premium	1,181,443	12,689,911	(703,808)	13,167,546	1,546,903	
Other long-term liabilities:						
Lease Liability	3,141,011	-	(606,901)	2,534,110	478,412	
Subscription Liability	303,968	1,999,005	(199,666)	2,103,307	396,922	
U.S. Army Corps of Engineers	3,271,450	-	-	3,271,450	260,859	
Compensated absences	1,516,518	1,238,368	(897,810)	1,857,076	770,772	
Net pension liability	3,399,295	-	(2,261,534)	1,137,761	-	
	\$			\$		
	\$ 74,370,385	172,762,284	\$(11,448,754)	235,683,915	\$ 9,718,171	

Long-term bonded debt on December 31, 2024, was comprised of the following issues:

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

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

Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

As of December 31, 2024, the annual debt service requirements for bonds from direct placements and revenue bonds until maturity are as follows:

Years ending December 31:	Bonds from Direct Placements		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2025	4,689,303	43,263	1,575,000	10,517,610	16,825,176
2026	783,362	1,273	6,030,000	10,752,076	17,566,711
2027	-	-	7,125,000	10,446,426	17,571,426
2028	-	-	7,485,000	10,085,813	17,570,813
2029	-	-	7,865,000	9,706,976	17,571,976
2030 - 2034	-	-	45,725,000	42,143,829	87,868,829
2035 - 2039	-	-	58,590,000	29,274,505	87,864,505
2040 - 2044	-	-	71,745,000	11,869,652	83,614,652
	<u>\$ 5,472,665</u>	<u>\$ 44,536</u>	<u>\$ 206,140,000</u>	<u>\$ 134,796,887</u>	<u>\$ 346,454,088</u>

Bonds from Direct Placements: The Port issued \$22,700,000 of Wharves and Terminal Revenue Refunding Bonds, Series 2021A and 2021B, dated August 26, 2021, to refund \$22,654,699 of Series 2011 Wharves and Terminal Refunding Bonds and Series 2014 Revenue Notes (AMT). The Port reduced its total debt service payments over the next five years by \$1,522,968 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,764,585. The reacquisition price exceeded the net carrying amount of the old debt by \$100,116. This amount is recorded as a deferred outflow and amortized over the life of the refunded debt. The balance was \$25,029 as of December 31, 2024.

The Series 2021 bonds were used to finance the construction of cruise terminal improvements. Gross revenues are pledged for repayment of these bonds. The Series 2021 bonds bear interest at a fixed rate of 1.30% per annum. Payments are structured so that the Port makes four payments of \$1.1 million from November 1, 2021, through February 1, 2022, followed by payments averaging \$0.4 million per month beginning March 1, 2022, with final payment occurring February 1, 2026.

The Series 2021 bonds are subject to redemption prior to their respective dates of maturity, at any time at the option of the Port, in whole or in part, at redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date. Commencing with the fiscal year beginning on January 1, 2022, and while the series 2021 bonds remaining outstanding, in any fiscal year, such fees, tolls and charges will be fixed, charged and collected in order that net revenues will equal an amount not less than 125% of the debt service on all parity obligations in such fiscal year.

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

Revenue Bonds: The Port issued \$51,460,000 of City of Galveston Texas Wharves and Terminal First Lien Revenue Bonds, Series 2023 on October 31, 2023. The bonds were issued at an effective interest rate of 5.30 percent and the bonds mature in 20 years. The bonds were issued at a premium of \$1,193,839, which will be amortized over the life of the debt. The premium balance was \$1,097,254 as of December 31, 2024.

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

Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

Revenue Bonds (Continued)

The Series 2023 Bonds were used to finance improvements to CT 25, and as of December 31, 2024, all proceeds had been spent on the improvements. Bonds maturing on or after August 1, 2033, are subject to optional redemption, in whole or in part, prior to maturity by the Port at 100% of the principal plus accrued interest to the date fixed for redemption. The \$14,745,000 Term Bond scheduled to mature on August 1, 2043 is, also subject to mandatory sinking fund redemption of \$3,370,000 on August 1, 2040, \$3,575,000 on August 1, 2041, \$3,785,000 on March 1, 2042, and \$4,015,000 on August 1, 2043. The indentures require that for the duration of the period the Series 2023 Bonds are outstanding, the Port's revenues will be at least equal to the greater of (a) all amounts required to be deposited in such fiscal year to the credit of the First Lien Debt Service Fund, the First Lien Debt Service Reserve Fund, the Second Lien Debt Service Fund, and the Second Lien Debt Service Reserve Fund, or (b) an amount not less than 110% of the annual debt service in such fiscal year on all outstanding first lien obligations and second lien obligations. The indentures also require a debt service reserve funding requirement of \$4,257,563, which is restricted for debt service.

On August 15, 2024, the Port issued \$106,125,000 of City of Galveston, Texas Wharves and Terminal First Lien Revenue Bonds, Series 2024A (AMT) and \$50,710,000 of City of Galveston, Texas Wharves and Terminal First Lien Revenue Bonds, Series 2024B (NON AMT). The bonds were issued at an effective interest rates of 5.33% and 5.13%, respectively. The bonds mature in 20 years. Series 2024A (AMT) were issued at a premium of \$7,841,238 and Series 2024B (NON AMT) were issued at a premium of \$4,848,673. Both bond premiums will be amortized over the life of the debt. The premium balance at December 31, 2024, for Series 2024A (AMT) was \$7,461,686 and the premium balance for Series 2024B (NON AMT) was \$4,608,606.

The Series 2024A (AMT) bonds were used to finance the construction of CT 16, and as of December 31, 2024, there is \$82,573,950 remaining for construction. Bonds maturing on or after August 1, 2034, are subject to optional redemption, in whole or in part, prior to maturity by the Port at 100% of the principal plus accrued interest to the date fixed for redemption. The indentures require that for the duration of the period the Series 2024A (AMT) Bonds are outstanding, the Port's revenues will be at least equal to the greater of (a) all amounts required to be deposited in such fiscal year to the credit of the First Lien Debt Service Fund, the First Lien Debt Service Reserve Fund, the Second Lien Debt Service Fund, and the Second Lien Debt Service Reserve Fund, or (b) an amount not less than 110% of the annual debt service in such fiscal year on all outstanding first lien obligations and second lien obligations. The indentures also require a debt service reserve funding requirement of \$9,054,725, which is restricted for debt service.

The Series 2024B (NON AMT) bonds were used to finance the construction of a multistory parking garage, and as of December 31, 2024, there is \$38,455,790 remaining for construction. Bonds maturing on or after August 1, 2034, are subject to optional redemption, in whole or in part, prior to maturity by the Port at 100% of the principal plus accrued interest to the date fixed for redemption. The indentures require that for the duration of the period the Series 2024B (NON AMT) Bonds are outstanding, the Port's revenues will be at least equal to the greater of (a) all amounts required to be deposited in such fiscal year to the credit of the First Lien Debt Service Fund, the First Lien Debt Service Reserve Fund, the Second Lien Debt Service Fund, and the Second Lien Debt Service Reserve Fund, or (b) an amount not less than 110% of the annual debt service in such fiscal year on all outstanding first lien obligations and second lien obligations. The indentures also require a debt service reserve funding requirement of \$4,268,863, which is restricted for debt service.

In 2024, the debt service coverage was 476%.

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

Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

U.S. Army Corps of Engineers: The Port received billing from the U.S. Army Corps of Engineers for payback on previously constructed general navigation features. Based on the billing, the Port is responsible for an additional 10% of the cost of the Galveston Harbor Channel deepening to 45 mean lower low water. 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, 2024, the balance is \$3,271,450.

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

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

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

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

Lease Liabilities: The Port leases property and equipment from third parties, the terms of which expire 2025 through 2062, and recognizes a lease liability in the statement of net position. The Port has 11 leases of this type with a lease liability balance of \$2,534,110 as of December 31, 2024.

The payment, principal, and interest under the leases for 2024 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2024	\$ 606,901	\$ 61,847	\$ 668,748

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

Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

The following is a schedule by year of principal, interest, and total payments for future years as of December 31, 2024:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2025	\$ 478,414	\$ 53,408	\$ 531,822
2026	460,609	45,772	506,381
2027	301,384	38,824	340,208
2028	127,089	34,798	161,887
2029	124,549	31,422	155,971
2030 - 2034	676,770	103,084	779,854
2035 - 2039	138,329	40,337	178,666
2040 - 2044	39,024	33,550	72,574
2045 - 2049	45,877	26,697	72,574
2050 - 2054	53,933	18,641	72,574
2055 - 2059	63,404	9,170	72,574
2060 - 2062	24,728	673	25,401
Total	\$ 2,534,110	\$ 436,376	\$ 2,970,486

Subscription Liabilities: The Port has obtained software through long-term subscription arrangements as described in more detail in Note 4. The Port has six subscription arrangements of this type, the terms of which expire 2024 - 2029, with a subscription liability balance of \$2,103,307 as of December 31, 2024.

The payment, principal, and interest under the subscriptions for 2024 are as follows:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2024	\$ 199,666	\$ 12,723	\$ 212,389

The following is a schedule by year of principal, interest, and total payments for future years as of December 31, 2024:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2025	\$ 396,922	\$ 72,641	\$ 469,563
2026	432,414	57,037	489,451
2027	413,008	40,981	453,989
2028	429,464	24,525	453,989
2029	431,499	7,762	439,261
Grand Total	\$ 2,103,307	\$ 202,946	\$ 2,306,253

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

Notes to Financial Statements

Note 6. Lease Arrangements with the Port as Lessor

Lease Receivable: The Port of Galveston leases a portion of its property to various third parties, the terms of which expire 2026 through 2065, and recognizes a lease receivable and a deferred inflow of resources in the statement of net position pursuant to GASB 87. The Port has 27 leases of this type with a lease receivable balance of \$116,998,046 and deferred inflow of resources balance of \$111,472,048 as of December 31, 2024.

The Port also has contracts with customers that contain minimum annual guarantees (MAGs), the terms of which expire 2038 through 2045, and recognizes a lease receivable and a deferred inflow of resources in the statement of net position pursuant to GASB 87. The Port has 5 leases of this type with a lease receivable balance of \$131,992,778 and deferred inflow of resources balance of \$123,138,529 as of December 31, 2024.

The payment, principal, and interest under the leases/MAGS for 2024 is as follows:

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2024	\$ 5,458,073	\$ 9,675,042	\$ 15,133,115

The Port had customers with fixed and variable lease/MAG payments in 2024 as is shown on the below table:

Year Ending December 31,	Fixed Payments	Variable Payments	Total Payments
2024	\$ 15,133,115	\$ 25,997,285	\$ 41,130,400

The following is a schedule by year of payment, principal, and interest under the leases/MAGs for future years as of December 31, 2024.

Year Ending December 31,	Principal	Interest	Total Principal and Interest
2025	\$ 6,435,726	\$ 9,455,493	\$ 15,891,219
2026	6,723,024	9,222,093	15,945,117
2027	6,908,363	8,978,300	15,886,663
2028	6,944,369	8,732,835	15,677,204
2029	7,331,124	8,477,907	15,809,031
2030 - 2034	43,048,940	38,017,559	81,066,499
2035 - 2039	46,284,914	29,477,597	75,762,511
2040 - 2044	41,312,002	21,473,502	62,785,504
2045 - 2049	21,184,168	14,765,738	35,949,906
2050 - 2054	18,626,385	11,265,029	29,891,414
2055 - 2059	25,439,135	6,662,324	32,101,459
2060 - 2064	18,645,335	1,158,887	19,804,222
2065	107,339	580	107,919
Total	\$ 248,990,824	\$ 167,687,844	\$ 416,678,668

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

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

Notes to Financial Statements

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

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

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

Note 7. Pension Plan

Pension Plan description: The Port's Pension Plan is a single employer defined benefit pension plan created by the City of Galveston to provide retirement and incidental benefits to substantially all employees of the Port. The Plan was established January 1, 1965, restated January 1, 2008, amended January 1, 2013, and most recently amended effective January 1, 2020. On January 10, 2010, the Plan was amended to cease further accrual of benefits under the Plan for existing employees electing to participate in the Galveston Wharves 2010 Plan and for all Port employees hired after January 1, 2010. Effective January 1, 2020, the Plan was amended to provide an ad-hoc benefit increase to all participants whose benefits commenced prior to January 1, 2020. The Pension Plan has been designed as a "governmental plan" by the U.S. Department of Labor and, thus, is not subject to the provisions of Title I of the Employee Retirement Income Security Act of 1974. Beginning January 1, 2010, the Pension Plan is closed to new members.

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

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

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

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

Normal retirement: Pension Plan participants are eligible for normal retirement upon attainment of age 65 and the fifth anniversary of the date that he or she entered the Pension Plan as a participant. The normal retirement benefit under the Pension Plan equals 1.5% of average monthly compensation multiplied by a participant's years of benefit service at retirement or earlier termination of employment.

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

Notes to Financial Statements

Note 7. Pension Plan (Continued)

Death benefit: If a participant, who has not had a termination of employment, dies prior to commencement of benefits after achieving five years of vesting service, his or her surviving spouse will be entitled to receive 66 2/3% of the participant's accrued benefit determined under normal retirement, considering the employee's average monthly compensation and years of benefit service as of his or her date of death. If the spouse is more than 10 years younger than the participant, the traditional pension benefit otherwise payable will be reduced on an actuarially equivalent basis to reflect that the spouse is exactly 10 years younger than the participant. The last payment will be made as of the first day of the month preceding the spouse's date of death or remarriage, if earlier.

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

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

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

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

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

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

Notes to Financial Statements

Note 7. Pension Plan (Continued)

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

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

At the December 31, 2024, measurement date, the following employees were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	78
Inactive employees entitled to, but not yet receiving benefits	34
Active plan members	13
	<u>125</u>

Contributions: The Port will pay contributions for a plan year as determined by the actuary to fund plan benefits and at such times as the Port may decide. Employees do not make contributions under this Pension Plan. All contributions under the Pension Plan shall be paid or transferred into the Trust Fund to be held, managed, invested and distributed in accordance with the provisions of the Pension Plan. The Port reserves the right to reduce, suspend or discontinue contributions to the plan. Currently, the Port is making monthly contributions such that payments equal to the prior-year funding requirement are met. In the event the funding requirement exceeds monthly contributions, an additional contribution is normally scheduled to fund the annual required contribution. The Port's contribution in 2024 was \$529,116, comprised of \$505,000 related to the 2024 payment and \$24,116, which was accrued in 2023 and paid in 2024.

Net pension liability: The Port's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Notes to Financial Statements

Note 7. Pension Plan (Continued)

Actuarial assumptions: The net pension liability was determined through an actuarial valuation performed as of December 31, 2024. The actuarial assumptions used are as follows:

Valuation date	December 31, 2024
Actuarial cost method	Individual entry age cost method
Asset valuation method	Market value of assets
Interest rates	Discount rate 7.00%
	Expected long-term rate of return 7.00%
	Municipal bond rate N/A
Inflation	2.75%
Annual pay increases	3.00%
Mortality rates:	PubG-2010 Mortality Tables Projected Generationally from 2010 with the Mortality Improvement Scale MP-2021
Retirement rates	The latter of attainment of age 65 or the completion of five years of vesting service
Experience study	An experience study was completed in 2017 to review the interest rate and mortality assumption. A more recent review of the interest rate was also performed in 2022. There has not been a recent experience study to review the demographic assumptions. As the plan is not large enough to have credible experience, demographic assumptions are determined based on the results of broad population trends.

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

- The interest rate assumption decreased from 7.25% to 7.00% to better reflect future expectations of market returns and long-term inflation.

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

Discount rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Target allocation percentages and best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2024, are summarized in the following table:

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

Notes to Financial Statements

Note 7. Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income equities securities	18%	4.65%
Common stock	0%	6.80%
Domestic equities—large cap	50%	7.00%
Domestic equities—mid cap	10%	6.75%
Domestic equities—small cap	4%	6.75%
International equities	10%	6.50%
Real estate investment trust (REIT)	0%	5.50%
Emerging markets	5%	5.75%
Cash	3%	4.25%

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

	1.00% Decrease (6.00)%	Current Discount Rate (7.00)%	1.00% Increase (8.00)%
Net pension liability (asset)	\$ 2,599,364	\$ 1,137,761	\$ (107,559)

Changes in the net pension liability: The following presents the changes in net pension liability as of December 31, 2024 .

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2023	\$ 16,311,902	\$ 12,912,607	\$ 3,399,295
Changes for the year:			
Service cost	149,535	-	149,535
Interest	2,262,974	-	2,262,974
Difference between expected and actual experience	269,553	-	269,553
Changes of assumptions	357,525	-	357,525
Contributions—employer	-	1,010,000	(1,010,000)
Net investment loss	-	4,274,110	(4,274,110)
Benefit payments, including refunds of employee contributions	(2,576,178)	(2,576,178)	-
Administrative expenses	-	(93,265)	93,265
Other changes	-	110,276	(110,276)
	463,409	2,724,943	(2,261,534)
Balance at December 31, 2024	\$ 16,775,311	\$ 15,637,550	\$ 1,137,761

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

Notes to Financial Statements

Note 7. Pension Plan (Continued)

Pension expense: For the year ended December 31, 2024, the Port recognized a pension expense of \$362,321 due to GASB 67 & 68 adjustments.

Deferred outflows and deferred inflows of resources related to pension: At December 31, 2024, the port reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	258,056
	\$ 258,056

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

Years	Deferred Inflows of Resources
2025	\$ 89,188
2026	332,450
2027	(478,453)
2028	(201,241)
	<u>\$ (258,056)</u>

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

In accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Port previously reported based on a measurement date that was one year prior to the Port's fiscal year-end. This approach was taken due to the timing of the availability of actuarial valuations and related financial information. Beginning with the fiscal year ended December 31, 2024, the Port has changed its measurement date to align with the same fiscal year as its reporting period. This change is considered a change in accounting estimate made on a prospective basis, as permitted by GASB 68, and reflect the Port's ability to now obtain timely actuarial and financial information necessary to support current-year reporting. As a result, pension-related amounts reported in the current fiscal year are based on a measurement date that is consistent with the reporting period, rather than a prior year.

Note 8. Deferred Compensation Plan and Defined Contribution Plans

Deferred Compensation Plan—Section 457 Plan: The Port offers all full-time employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code (IRC 457). The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseen emergency. Active plan members contributed \$100,490 to the 457 Plan during the year ended December 31, 2024.

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

Notes to Financial Statements

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

Defined Contribution Plan—Employees Retirement Accumulation Plan:

A. Plan Description

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

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

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

B. Plan Funding Policy

Active plan members must contribute 7.65% of their earnings and the Port is required to contribute 5.42% of participant earnings. The plan members contributed \$823,167 and the Port contributed \$569,491 during the year ended December 31, 2024.

Defined Contribution Plan—Galveston Wharves 2010 Plan:

A. Plan Description

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

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

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

B. Plan Funding Policy

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

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

The Port contributed \$403,234 during the year ended December 31, 2024. The employees do not have a required contribution rate.

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

Notes to Financial Statements

Note 9. Commitments, Contingencies and Uncertainties

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

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

The Port is subject to claims and lawsuits arising from the normal course of business. The Port's legal counsel routinely evaluates such claims and management may make provisions for probable losses if deemed appropriate. As of December 31, 2024, the Port has accrued an amount related to a claim.

Note 10. Risk Management

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

The Port also provides for losses ranging from \$1 million to \$40 million by carrying excess/umbrella liability insurance coverage.

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

Note 11. Concentration of Credit Risk

One customer generated operating revenues of \$18.7 million and another customer generated \$7.2 million, which comprised approximately 24% and 9%, respectively of total operating revenues for the year ended December 31, 2024. In the normal course of business, the Port extends unsecured credit to its customers.

Note 12. Related Party

The Port made payments to the City of Galveston and affiliates in the ordinary course of business in the amount of \$3,297,681 in 2024.

Subsequent to Moody National Bank becoming the Port's depository bank, the President and CEO of Moody National Bank was appointed a trustee of The Board of Trustees of the Galveston Wharves by the City of Galveston City Council. In the Fall of 2022, the Board of Trustees of the Galveston Wharves elected the President and CEO of Moody National Bank Chairman. As of December 31, 2024, deposits at Moody National Bank totaled \$45,072,798.

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

Notes to Financial Statements

Note 13. Arbitrage Compliance

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

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

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

Note 14. Due to FEMA/TDEM-IKE

Texas Hurricane IKE—Public Assistance Grant 1791

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

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

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

As of December 2024, the Port has potential claims totaling \$10,333,545 related to grant number 1791. These claims are associated with the West End Erosion Alternate Project (PW 15828), valued at \$10,333,345, which is expected to be completed in 2025. The Erosion Project Work at Piers 28, 34, and 35 (PW 15835) has already been completed.

As of December 31, 2023, the Port showed a payable to FEMA/TDEM related to Ike in the amount of \$11,106,716. TDEM issued a letter to the Port increasing the de-obligated amount by \$175,995 in 2024, resulting in the payable changing to \$11,282,711 as of December 31, 2024. The de-obligated amount of \$175,995 was recognized as a reduction to the non-operating income section of the Statement of Revenues, Expenses and Changes in Net Position and a short-term liability reflected in the Statement of Net Position.

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

Notes to Financial Statements

Note 15. Subsequent Events

The Port has evaluated subsequent events through May 1, 2025, the date the financial statements were available to be issued.

With the dynamic nature of changes to the Federal Tariffs, the Port is monitoring the evolving events closely. At this time, due to the mix between cargo and cruise activities, it is the Port's belief that the tariffs imposed by the Federal Government will not materially impact the Port in 2025.



ANNIVERSARY
EST. 1825

**GALVESTON
WHARVES**

Required Supplementary Information

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

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

	2024	2023	2022	2021
Total pension liability:				
Service cost	\$ 76,950	\$ 72,585	\$ 65,944	\$ 71,422
Interest	1,121,341	1,141,633	1,162,633	1,189,715
Changes in benefit terms	-	-	-	-
Change in assumptions	-	357,525	-	34,009
Difference between expected and actual experience	284,980	(15,427)	(243,803)	(340,081)
Benefit payments, including refunds of employee contributions	(1,294,096)	(1,282,082)	(1,283,191)	(1,366,375)
Net change in total pension liability	189,175	274,234	(298,417)	(411,310)
Total pension liability at beginning of year	16,586,136	16,311,902	16,610,319	17,021,629
Total pension liability at end of year	<u>\$ 16,775,311</u>	<u>\$ 16,586,136</u>	<u>\$ 16,311,902</u>	<u>\$ 16,610,319</u>
Plan fiduciary net position:				
Contributions—employer	\$ 505,000	\$ 505,000	\$ 399,996	\$ 258,325
Net investment income	1,982,854	2,291,256	(2,876,194)	2,277,865
Benefit payments, including refunds of employee contributions	(1,294,096)	(1,282,082)	(1,283,191)	(1,366,375)
Administrative expense	(30,196)	(63,070)	(40,406)	(39,843)
Other changes	-	110,276	(778)	22,375
Net change in plan fiduciary net position	1,163,562	1,561,380	(3,800,573)	1,152,347
Plan fiduciary net position at beginning of year	14,473,988	12,912,607	16,713,180	15,560,833
Plan fiduciary net position at end of year	<u>\$ 15,637,550</u>	<u>\$ 14,473,988</u>	<u>\$ 12,912,607</u>	<u>\$ 16,713,180</u>
Plan net pension liability (asset) at end of year	<u>\$ 1,137,761</u>	<u>\$ 2,112,148</u>	<u>\$ 3,399,295</u>	<u>\$ (102,861)</u>
Fiduciary net position as a percentage of the total pension liability	93%	87%	79%	101%
Covered payroll	\$ 1,208,614	\$ 1,123,705	\$ 1,041,242	\$ 1,031,885
Plan net pension liability (asset) as a percentage of covered payroll	94%	188%	326%	-10%

- Beginning with the fiscal year ended December 31, 2024, the Port has changed its measurement date to align with the same fiscal year as its reporting period on a prospective basis. This is discussed further in Note 7.

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

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

2020	2019	2018	2017	2016	2015
\$ 77,202	\$ 101,967	\$ 149,366	\$ 138,712	\$ 137,707	\$ 169,079
1,148,818	1,145,698	1,135,048	1,119,970	1,095,941	1,071,934
-	206,256	-	-	-	-
762,991	(96,477)	88,955	762,720	-	(239,557)
(63,634)	-	41,613	(134,857)	84,594	156,762
(1,344,635)	(1,234,638)	(1,206,729)	(1,141,887)	(855,811)	(757,719)
580,742	122,806	208,253	744,658	462,431	400,499
16,440,887	16,318,081	16,109,828	15,365,170	14,902,739	14,502,240

\$ 17,021,629	\$ 16,440,887	\$ 16,318,081	\$ 16,109,828	\$ 15,365,170	\$ 14,902,739
---------------	---------------	---------------	---------------	---------------	---------------

\$ 365,585	\$ 575,000	\$ 575,000	\$ 562,160	\$ 420,000	\$ 400,000
1,831,353	3,021,496	(560,928)	2,475,326	519,420	153,997
(1,344,635)	(1,234,638)	(1,206,729)	(1,141,887)	(855,811)	(757,719)
(50,083)	(42,883)	(62,705)	(69,370)	-	(65,437)
28,776	(769)	(368)	1,280	679	1,199
830,996	2,318,206	(1,255,730)	1,827,509	84,288	(267,960)
14,729,837	12,411,631	13,667,361	11,839,852	11,755,564	12,023,524

\$ 15,560,833	\$ 14,729,837	\$ 12,411,631	\$ 13,667,361	\$ 11,839,852	\$ 11,755,564
---------------	---------------	---------------	---------------	---------------	---------------

\$ 1,460,796	\$ 1,711,050	\$ 3,906,450	\$ 2,442,467	\$ 3,525,318	\$ 3,147,175
--------------	--------------	--------------	--------------	--------------	--------------

91%	90%	76%	85%	77%	79%
\$ 1,144,464	\$ 1,527,483	\$ 2,017,084	\$ 2,659,786	\$ 3,174,196	\$ 3,289,226
128%	112%	194%	92%	111%	96%

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

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

	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 390,483	\$ 502,299	\$ 130,460	\$ 242,382	\$ 292,252
Contributions in relation to the actuarially determined contribution, including contribution receivable	505,000	505,000	399,996	255,702	365,585
Contribution excess	<u>\$ (114,517)</u>	<u>\$ (2,701)</u>	<u>\$ (269,536)</u>	<u>\$ (13,320)</u>	<u>\$ (73,333)</u>
Covered payroll	\$ 1,527,483	\$ 2,017,084	\$ 1,041,242	\$ 1,031,885	\$ 1,144,464
Contributions as a percentage of covered payroll	33.06%	25.04%	38.42%	24.78%	31.94%
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 515,856	\$ 421,327	\$ 562,160	\$ 415,085	\$ 377,727
Contributions in relation to the actuarially determined contribution	575,000	575,000	562,160	420,000	400,000
Contribution excess	<u>\$ (59,144)</u>	<u>\$ (153,673)</u>	<u>\$ -</u>	<u>\$ (4,915)</u>	<u>\$ (22,273)</u>
Covered payroll	\$ 1,527,483	\$ 2,017,084	\$ 2,659,786	\$ 3,174,196	\$ 3,289,226
Contributions as a percentage of covered payroll	37.64%	28.51%	21.14%	13.23%	12.16%

Methods and assumptions used to determine contribution for 2024:

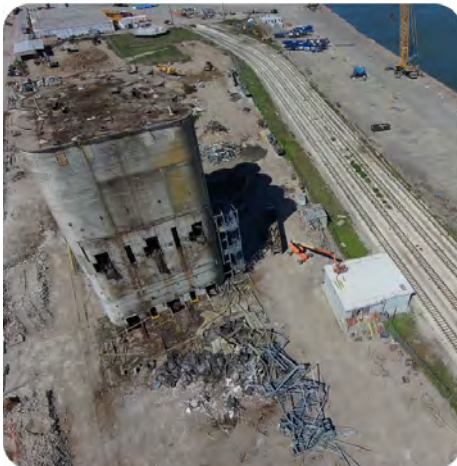
Valuation date	January 1, 2024
Actuarial cost method	Individual entry age cost method
Amortization method	17-year level dollar (closed)
Asset valuation method	Market value of assets
Interest rates	Discount rate 7.00%, Expected Long Term Rate of Return 7.00%
Inflation	2.75%
Annual pay increases	3.00%
Final average pay load	A 7.5% load to the final average pay of active employees eligible to retire as of December 31, 2018, was added to anticipate the impact of accrued vacation and sick time pay
Mortality rates	Pub-G-2010 Mortality Table Projected Generationally from 2010 with the Mortality Improvement Scale MP-2021
Retirement rates	The latter of the attainment of age 65 or the completion of five years of vesting service

- Beginning with the fiscal year ended December 31, 2024, the Port has changed its measurement date to align with the same fiscal year as its reporting period on a prospective basis. This is discussed further in Note 7.

STATISTICAL SECTION



THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2024



Grain Elevator Demolition at Port of Galveston, Texas

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2024

Statistical Section Categories

Financial Trend	Page
<i>These schedules contain trend information to help the reader understand how the Port's financial performance and well-being have changed over time.</i>	
Condensed statement of net position	66-67
Condensed statement of changes net position	68-69
Operating revenue statement	70-71
Revenue Capacity Data	
<i>This schedule contains information regarding the largest contributors to operating revenues.</i>	
Schedule of ten largest revenue generating customers	72-73
Debt Capacity Data	
<i>These schedules contain information for the reader to assess the affordability of the Port's current levels of outstanding debt and the ability to issue additional debt in the future.</i>	
Debt service schedule	74
Schedule of long-term debt	75
Pledged net revenue coverage	76-77
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Port's financial activities take place.</i>	
Demographic and economic statistics	78
Principal employers in the City of Galveston	79
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Port's financial report relates to the services the Port provides and the activities it performs.</i>	
Tonnage handled through facilities, port activity, inward/outward	80-81
Cruise traffic	82
Number of employees and gross wages paid	83
Operating facilities	84-85

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

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

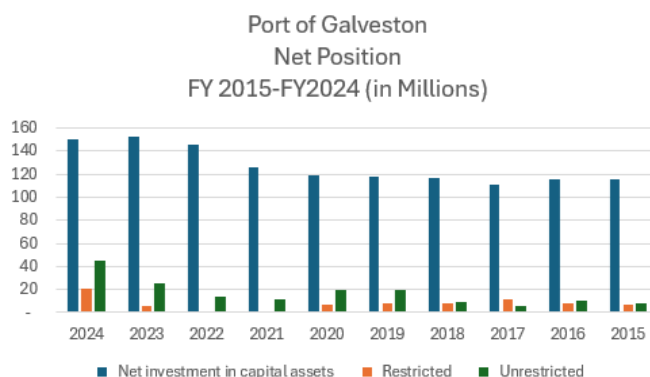
Description	2024	2023	2022	2021
Assets				
Unrestricted current assets	\$ 66,437,637	\$ 49,097,161	\$ 44,360,293	\$ 34,652,944
Restricted current assets	144,610,831	15,308,509	691,398	8,358,880
Properties and facilities, net	294,613,590	223,823,165	172,742,900	145,554,303
Other assets	242,555,098	247,232,390	202,394,458	838,008
Total assets	748,217,156	535,461,225	420,189,049	189,404,135
Deferred outflows of resources	-	2,152,040	399,996	258,202
Liabilities				
Current liabilities—payable from nonrestricted assets	63,619,752 (b)	36,640,261 (b)	31,860,033 (b)	21,796,198 (b)
Current liabilities—payable from restricted assets	8,072,065	9,011,623	4,555,664	5,896,515
Long term debt, net of current portion	224,827,985	60,502,615	16,967,729	18,597,202
Unearned revenues	-	-	-	1,079,635
Net pension liability	1,137,761	3,399,295	-	1,460,796
Total liabilities	297,657,563	109,553,794	53,383,426	48,830,346
Deferred inflows of resources	234,893,662	244,401,001	207,791,054	1,765,404
Net position				
Net investment in capital assets	146,951,723	152,289,923	145,377,881	126,137,940
Restricted for debt service	20,264,769	5,807,149	588,537	1,279,821
Unrestricted	48,449,439	25,561,398	13,448,147	11,648,826
Total net position	\$ 215,665,931	\$ 183,658,470	\$ 159,414,565	\$ 139,066,587

- Effective January 1, 2023, the Wharves implemented GASB Statement No. 96. Prior periods presented above were not restated.
 - Effective January 1, 2022, the Wharves implemented GASB Statement No. 87. Prior periods presented above were not restated.
 - Effective January 1, 2015, the Wharves implemented GASB Statements No. 68 and No. 71. The 2014 ending balance was restated for comparison purposes.
- a. 2017 Restated
 - b. Beginning in 2021 liabilities include \$10.7 million Demand Notice on Federal Public Assistance Grant 1791 (Hurricane IKE) received from TDEM under review by FEMA, which is reviewed and adjusted annually.

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

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

2020	2019	2018	2017	2016	2015
\$ 30,012,668	\$ 31,810,238	\$ 19,731,195	\$ 14,197,722	(a) \$ 18,183,941	\$ 20,584,656
15,327,609	17,400,813	17,099,839	18,642,035	19,900,725	27,796,300
142,291,681	145,631,402	149,793,852	147,820,443	152,026,032	147,901,820
1,062,113	1,261,259	1,460,406	1,659,552	1,858,698	2,057,844
188,694,071	196,103,712	188,085,292	182,319,752	191,969,396	198,340,620
363,085	1,177,383	984,558	1,409,876	1,146,128	451,726
8,859,598	10,219,523	8,688,028	8,865,980	5,414,459	10,558,641
3,885,000	6,773,387	4,971,216	4,823,336	4,420,000	4,250,000
26,597,547	28,948,200	35,535,886	36,505,594	43,709,763	48,638,548
1,282,067	1,484,498	1,686,930	2,075,676	2,337,245	2,522,265
1,711,050	3,906,450	2,442,467	3,525,318	3,147,175	2,478,716
42,335,262	51,332,058	53,324,527	55,795,904	59,028,642	68,448,170
1,427,451	-	846,633	83,707	228,612	133,961
119,342,702	117,664,207	116,705,066	110,603,904	115,231,634	115,312,854
6,487,326	8,563,972	8,408,718	11,995,924	7,869,709	6,704,602
19,464,415	19,720,858	9,784,906	5,250,189	(a) 10,756,927	8,192,759
\$ 145,294,443	\$ 145,949,037	\$ 134,898,690	\$ 127,850,017	\$ 133,858,270	\$ 130,210,215



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

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

Description	2024	2023	2022	2021
Operating revenues	\$ 79,266,762	\$ 67,538,148	\$ 52,911,432	\$ 31,172,106
Operating expenses:				
Personnel services	17,074,347	14,469,719	9,926,696	9,600,288
Maintenance and operations	13,595,476	12,906,875	14,179,348	7,281,110
Sales and office	5,923,755	4,860,390	4,959,402	4,042,791
Depreciation and ammortization	13,563,788	10,691,546	7,889,262	7,011,940
Total operating expenses	50,157,366	42,928,530	36,954,708	27,936,129
Net operating income (loss)	29,109,396	24,609,618	15,956,724	3,235,977
Nonoperating revenue (expenses):				
Investment income	5,238,995	1,546,368	511,255	70,519
Other Income	736,195	49,050	29,330	319,089
Loss on lease modifications/terminations	(6,166)	(105,079)	-	-
Annual city payment (b)	(198,125)	(195,031)	(198,125)	(198,124)
Interest expense	(6,001,809)	(631,643)	(225,470)	(698,376)
Bond issuance costs	(1,962,370)	(1,171,544)	-	(269,754)
Other debt expense	-	-	-	-
Net gain (loss) on bad debts and disposal of equipment	(510,846)	(492,311)	(48,143)	(792,012)
U.S. Army COE-related expenses	-	-	-	-
Hurricane-related income (expenses) (c)	(1,081,824)	-	-	23,053
Other expenses	(181,475)	(382,446)	(160,668)	(10,745,473)
Total nonoperating revenues (expenses)	(3,967,425)	(1,382,636)	(91,821)	(12,291,078)
Income (expense) before contributions	25,141,971	23,226,982	15,864,903	(9,055,101)
Capital grants and contributions	6,865,490	1,016,923	4,483,075	2,827,245
Changes in net position	\$ 32,007,461	\$ 24,243,905	\$ 20,347,978	\$ (6,227,856)

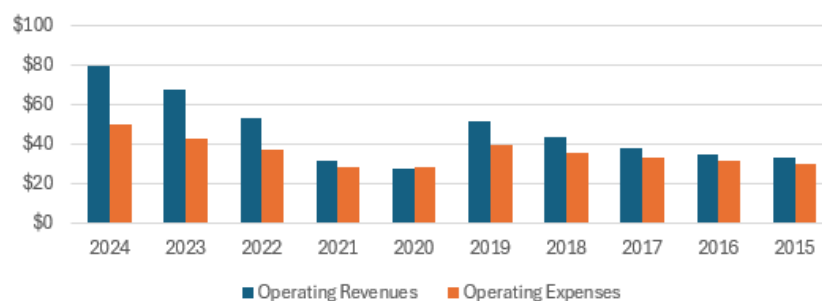
- Effective January 1, 2023, the Wharves implemented GASB Statement No. 96. Prior periods presented above were not restated.
 - Effective January 1, 2022, the Wharves implemented GASB Statement No. 87. Prior periods presented above were not restated.
 - Effective January 1, 2015, the Wharves implemented GASB Statements No. 68 and No. 71. The 2014 ending balance has been restated for comparison purposes.
- a. Restated.
- b. Effective in 2018, annual payments to City of Galveston, Texas for all years are being shown as nonoperating expenses rather than operating expenses. Only applies to PILOT payment.
- c. Effective in 2018, hurricane-related expenses for all years are classified as nonoperating expenses.
- d. Includes \$10.7 million Demand Notice on Federal Public Assistance Grant 1791 (Hurricane IKE) received from TDEM.

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

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

2020	2019	2018	2017	2016	2015
\$ 27,358,135	\$ 51,474,109	\$ 43,514,516	\$ 37,769,849	\$ 34,488,872	\$ 33,015,643
8,650,301	9,494,870	8,281,310	7,972,059	8,462,458	8,891,974
8,678,974	15,019,177	12,773,845	11,772,312	10,987,938	9,005,438
4,175,833	8,413,703	7,935,356	6,865,712	5,412,002	6,046,520
6,677,873	6,370,852	6,546,854	6,705,570	6,549,259	6,005,248
28,182,981	39,298,602	35,537,365	33,315,653	31,411,657	29,949,180
(824,846)	12,175,507	7,977,151	4,454,196	3,077,215	3,066,463
205,620	519,163	280,987	347,353	288,856	232,073
45,917	18,011	-	-	-	-
-	-	-	-	-	-
(189,245)	(189,245)	(189,169)	(188,793)	(188,561)	(188,076)
(1,236,305)	(1,499,143)	(1,742,546)	(1,934,675)	(2,125,727)	(2,275,468)
-	-	-	-	-	-
-	-	-	-	-	-
(23,710)	(400,102)	-	-	-	3,279
-	-	(487,983)	-	-	-
(63,359)	(227,224)	(459,194)	(811,434) (a)	(552,828)	(569,808)
-	-	-	-	-	-
(1,261,082)	(1,778,540)	(2,597,905)	(2,587,549)	(2,578,260)	(2,798,000)
(2,085,928)	10,396,967	5,379,246	1,866,645	498,955	268,463
1,431,334	653,380	1,669,423	30,384	3,149,100	4,893,290
\$ (654,594)	\$ 11,050,347	\$ 7,048,669	\$ 1,897,029	\$ 3,648,055	\$ 5,161,753

**Port of Galveston
Operating Revenues & Expenses FY 2015-2024
(in Millions)**



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

**Operating Revenue Statement
Last Ten Fiscal Years**

Description	2024	2023	2022	2021
Switching	\$ 405,928	\$ 320,259	\$ 577,768	\$ 828,455
*Wharfage	3,673,770	3,152,771	3,400,091	4,538,197
*Passenger charge	22,516,081	16,812,536	15,902,648	4,093,695
Parking fees	26,555,199	22,758,272	12,390,711	3,608,502
*Dockage	7,140,756	7,364,270	9,431,750	10,311,012
Ship service revenues	-	-	-	-
Revenue producing services	1,226,317	1,137,670	1,046,528	1,098,407
*Real Estate	11,370,993	11,884,646	6,384,155	4,728,063
Security cost recovery	3,557,105	1,964,353	2,249,296	1,485,559
Terminal access fees	1,959,810	1,848,961	1,444,449	447,079
Miscellaneous	860,803	294,410	84,035	33,137
Total operating revenues	\$ 79,266,762	\$ 67,538,148	\$ 52,911,432	\$ 31,172,106

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

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

**Operating Revenue Statement
Last Ten Fiscal Years**

2020	2019	2018	2017	2016	2015
\$ 961,886	\$ 724,899	\$ 664,519	\$ 556,646	\$ 929,527	\$ 1,067,920
3,555,727	4,061,884	4,491,912	3,169,750	2,661,602	2,577,208
3,527,539	16,011,250	12,200,846	11,580,016	8,946,032	8,647,317
1,877,896	8,118,181	7,607,603	6,669,561	6,143,976	6,312,896
8,356,276	8,204,487	6,719,542	5,165,419	5,826,700	6,479,532
1,462,701	6,238,691	5,336,560	4,861,472	3,891,550	3,195,913
947,618	873,759	343,467	98,497	114,358	120,388
4,827,199	4,685,762	3,787,582	3,748,981	3,478,455	3,051,766
1,214,248	1,401,845	1,191,123	847,632	949,909	979,811
254,700	1,059,105	888,442	889,170	832,440	526,823
372,345	94,246	282,920	182,710	714,323	56,067
<u>\$ 27,358,135</u>	<u>\$ 51,474,109</u>	<u>\$ 43,514,516</u>	<u>\$ 37,769,854</u>	<u>\$ 34,488,872</u>	<u>\$ 33,015,641</u>

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

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

2024				
Rank	Customer Name	Amount	Percent of Total Operating Revenues	
1	Carnival Cruise Lines	\$ 18,727,778	24%	
2	Royal Caribbean, Int'l.	7,180,628	9%	
3	Disney Cruise Line	3,311,262	4%	
4	Norwegian Cruise Lines	1,991,966	3%	
5	Wallenius Wilhelmsen	1,915,301	2%	
6	Metro Ports Suderman Contracting	1,609,906	2%	
7	Gulf Copper	1,607,839	2%	
8	Norton Lilly Int'l.	1,080,052	1%	
9	CHS, INC.	872,685	1%	
10	BIEHL Master	834,127	1%	
Total ten largest customers		39,131,543	49%	
Others		40,135,218	51%	
Total operating revenues		\$ 79,266,762	100%	

Source: Port of Galveston Records

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

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

2015				
Rank	Customer Name	Amount	Percent of Total Operating Revenues	
1	Royal Caribbean, Int'l.	\$ 7,343,314	22%	
2	Carnival Cruise Lines	4,959,418	15%	
3	ADM Grain Co.	2,219,254	7%	
4	Galveston Railroad	1,371,311	4%	
5	Del Monte Fresh Fruit	1,300,454	4%	
6	Wallenius Wilhelmsen	964,918	3%	
7	Gulf Copper	958,238	3%	
8	Agrilliance/CHS	784,729	2%	
9	Malin Int'l.	720,769	2%	
10	Norton Lilly Int'l.	650,181	2%	
Total ten largest customers		21,272,586	64%	
Others		11,743,057	36%	
Total operating revenues		\$ 33,015,643	100%	

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

Debt Service Schedule

Year Ending	Revenue Bonds,	Revenue Bonds,	Revenue Bonds,	Direct Placements,	* US Army Corps of Engineers	Total Principal and Interest
December 31	Series 2023	Series 2024A (AMT)	Series 2024B (NON AMT)	Series 2021	Debt	Requirements
2025	4,254,425	5,357,209	2,480,976	4,732,566	262,910	17,088,086
2026	4,256,738	8,608,975	3,916,363	784,635	131,455	17,698,166
2027	4,254,588	9,052,225	4,264,613	-	131,455	17,702,881
2028	4,252,975	9,050,725	4,267,113	-	131,455	17,702,268
2029	4,256,638	9,050,225	4,265,113	-	131,455	17,703,431
2030 - 2034	21,274,388	45,257,875	21,336,565	-	657,275	88,526,103
2035 - 2039	21,274,625	45,259,813	21,330,065	-	657,275	88,521,778
2040 - 2044	17,021,100	45,260,775	21,332,777	-	657,275	84,271,927
2045 - 2048	-	-	-	-	524,509	524,509
	\$ 80,845,477	\$ 176,897,822	\$ 83,193,585	\$ 5,517,201	\$ 3,285,064	\$ 349,739,149

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

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

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

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

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

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

Description	2024	2023	2022	2021	2020
Operating revenues	\$ 79,266,762	\$ 67,538,148	\$ 52,911,432	\$ 31,172,106	\$ 27,358,135
Operating expenses	50,157,366	42,928,530	36,954,708	27,936,129	28,182,981
Net operating income (loss)	29,109,396	24,609,618	15,956,724	3,235,977	(824,846)
Add:					
Miscellaneous income	736,195	49,050	29,330	342,142	45,917
Investment income	5,238,995	1,546,368	511,255	70,519	205,620
Depreciation and amortization	13,563,788	10,691,546	7,889,262	7,011,940	6,677,873
Subtract:					
Non-Cash portion of GASB 87 and 96	(5,849,542)	(7,066,083)	-	-	-
	(5,849,542)	(7,066,083)	-	-	-
Total net revenues	\$ 42,798,832	\$ 29,830,499	\$ 24,386,571	\$ 10,660,578	\$ 6,104,564
Annual debt service	\$ 8,984,980	\$ 4,719,066	\$ 6,120,923	\$ 5,470,772	\$ 5,397,680
Debt service coverage	4.76	6.32	3.98	1.95	1.13

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

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

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

Description	2019	2018	2017	2016	2015
Operating revenues	\$ 51,474,109	\$ 43,514,516	\$ 37,769,849	\$ 34,488,872	\$ 33,015,643
Operating expenses	39,298,602	35,537,365	33,504,448	31,600,218	30,137,256
Net operating income (loss)	12,175,507	7,977,151	4,265,401	2,888,654	2,878,387
Add:					
Miscellaneous income	18,011	-	-	-	-
Interest income	519,163	280,987	347,353	288,856	232,073
Depreciation	6,370,852	6,546,854	6,705,572	6,549,259	6,005,248
Subtract:					
Non-Cash portion of GASB 87 and 96	-	-	-	-	-
	-	-	-	-	-
Total net revenues	\$ 19,083,533	\$ 14,804,992	\$ 11,318,326	\$ 9,726,769	\$ 9,115,708
Annual debt service	\$ 6,459,743	\$ 6,549,453	\$ 6,447,362	\$ 6,444,562	\$ 6,450,236
Debt service coverage	2.95	2.26	1.76	1.51	1.41

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

**Demographic and Economic Statistics
Last Ten Years**

Fiscal Year	Estimated Population (1)	Per Capita Personal Income (1)	Personal Income (in \$000's) (1)	Median Age (1)	Education Level in Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2015	49,608	26,164	1,297,944	37.3	12	6,813	6.3%
2016	50,180	26,665	1,338,050	36.3	12	6,976	4.8%
2017	50,550	27,366	1,383,351	37.0	12	6,884	5.0%
2018	50,497	28,227	1,425,379	36.6	12	7,017	4.5%
2019	50,457	29,733	1,500,238	39.4	12	7,015	3.6%
2020	50,446	30,406	1,533,861	37.8	12	7,041	3.9%
2021	53,695	30,406	1,632,650	38.2	12	6,648	5.4%
2022	53,219	37,530	1,997,309	39.4	12	6,691	4.5%
2023	53,695	39,573	2,124,872	40.3	12	6,650	3.9%
2024	53,237	37,464	1,994,471	39.4	12	6,700	4.7%

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

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

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

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

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

Employer	2024			2015		
	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
University of Texas Medical Branch	10,103	1	52.29%	9,000	1	39.38%
Landry's Restaurants	2,280	2	11.79%	1,300	3	5.69%
Galveston County (on Island only)	1,063	3	5.50%	460	9	2.00%
Schlitterbahn - 1	1,035	4	5.36%	-		0.00%
Galveston Independent School District	989	5	5.12%	1,361	2	5.96%
American National Insurance Company	934	6	4.84%	1,600	4	7.00%
Moody Gardens - 2	888	7	4.60%	922	5	4.03%
City of Galveston	830	8	4.30%	700	6	3.06%
Texas A&M University at Galveston	746	9	3.86%	397	10	1.74%
USACE	449	10	2.32%	390	11	1.71%
Fertitta Hospitality	-	-	0.00%	566	7	2.48%
Galveston College	-	-	0.00%	543	8	2.38%
	<u>19,317</u>		<u>100.00%</u>	<u>17,239</u>		<u>75.43%</u>

Source: All Data obtained from the City of Galveston.

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

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

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

Description	2024	2023	2022	2021
Bulk grain	-	261,808	729,203	1,246,542
Bulk fertilizer	204,751	155,022	229,295	390,868
Bulk liquid	2,309,074	2,015,645	1,965,982	1,989,260
Other bulk cargoes	38,119	442	-	-
Bananas and other fruit	264,200	607,615	559,084	594,012
Other general and RoRo Cargo	560,489	601,197	533,041	622,701
Livestock	2,956	2,901	2,392	2,937
Total tons handled	3,379,590	3,644,630	4,018,997	4,846,320
Inward	3,101,471	3,099,005	2,995,253	3,246,009
Outward	278,119	545,625	1,023,744	1,600,311
Total inward and outward	3,379,590	3,644,630	4,018,997	4,846,320
Number of vessels, including ships and barges	948	953	925	943

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

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

2020	2019	2018	2017	2016	2015
1,473,271	647,328	839,395	734,932	2,466,931	3,073,498
273,569	540,096	603,701	455,945	565,277	620,731
1,393,261	1,574,339	1,544,103	1,225,701	1,303,459	904,659
39,703	-	-	-	-	-
606,624	568,860	534,412	484,661	486,797	520,697
479,335	687,215	581,779	486,296	383,320	483,722
1,859	-	-	-	-	-
4,267,622	4,017,838	4,103,390	3,387,535	5,205,784	5,603,307
2,444,617	3,043,447	3,069,352	2,342,006	2,631,508	5,296,181
1,823,005	974,391	1,034,038	902,805	2,574,276	307,126
4,267,622	4,017,838	4,103,390	3,244,811	5,205,784	5,603,307
813	1,023	840	734	752	810

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

**Cruise Traffic
Last Ten Fiscal Years**

Year	Cruise Ship Calls	Cruise Passengers	Vehicles Parked
2015	232	834,616	112,363
2016	235	868,923	105,108
2017	255	938,198	116,211
2018	268	989,220	113,484
2019	297	1,091,622	114,042
2020*	63	225,643	21,115
2021*	127	282,545	37,679
2022	324	1,041,407	143,907
2023	354	1,490,532	210,244
2024*	386	3,401,455	216,311

- Effective 2024 on prospective basis, cruise passengers will be presented as passenger movements, which include embarkations and debarkations.
- The cruise lines voluntarily suspended operations at the Port of Galveston due to the worldwide COVID-19 pandemic beginning on March 12, 2020, and did not resume until July of 2021

Source: Port of Galveston Records

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

**Number of Employees and Gross Wages Paid
Last Ten Fiscal Years**

Year	Number of Employees (Maintenance)	Number of Employees (Security)	Number of Employees (Administration)	Average Number of Employees (a)	Gross Wages Paid (b)
2015	19	43	34	96	5,683,543
2016	21	43	40	104	5,956,898
2017	20	41	32	93	5,437,350
2018	20	33	33	86	5,322,593
2019	20	27	35	82	5,593,528
2020	23	28	38	89	5,654,513
2021	26	29	36	91	5,923,588
2022	25	34	37	96	6,821,426
2023	27	41	41	109	8,890,281
2024	30	43	47	120	10,507,224

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

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

**Operating Facilities
December 31, 2024**

Vehicle Processing Center (VPC)	VPC for BMW located on 19.7 acres in Foreign Trade Zone Number 36. The VPC services 42 BMW and Mini Cooper Dealers in the states of Texas, Oklahoma, Louisiana and Arkansas.
Cruise Terminal 10	Home port to Royal Caribbean International, including a new 120,000 square foot purpose built terminal building, and 10 acres of on-site ground parking with associated roadways, traffic signals, lighting, landscaping, shuttle system and pedestrian walkways. The terminal also features upgraded wharf and mooring equipment to support Oasis Class vessels.
Refrigerated Warehouse and Distribution Center/Terminal at Pier 16-18 (Operations ceased on 8/1/2024).	Services importation of refrigerated bananas and other fruit and produce. Quick access to Interstate Hwy. 45. Phase I and Phase II expansion projects completed in 2009. Phase III expansion project was completed in 2011. Phase IV and V expansion projects completed in 2012. Pier 18 expansion (40 feet wide by 600 feet long) completed 2012. Pier 16 expansion (40 feet wide by 600 feet long) completed 2013. Uplands acreage expanded (2 acres) in 2015. Additional land added under lease in 2017. Operations ceased on 8/1/2024.
Pier 21 Harborside Development	Retail/wholesale waterfront commercial development of outlets for the sale and provision of goods and services to the public: hotel, restaurants, residential rental units, offices, museums and a small boat basin for the docking of pleasure craft and recreational vessels, together with related offices, parking facilities and other facilities, incidental, or pertinent, to these operations.
Texas Cruise Ship Terminals On Galveston Island®	Home port to Carnival Cruise Line . Seasonal home port to Disney Cruise Line, Princess Cruise Line and Norwegian Cruise Line. Highest cruise passenger volume on the Gulf Coast. Fourth largest (by volume) cruise port in North America. Parking available for passengers on all cruises, including on-site parking. Ability to take on additional cruise lines and passengers. Expansion of mooring capabilities at Cruise Terminal 25 to accommodate the largest Carnival Cruise Line vessel was completed in early 2018. Expansion of Cruise Terminal 27 to accommodate larger cruise vessels completed in 2016. Expansion of Cruise Terminal 25 to accomodate up to 17,000 passengers was completed in December 2023.
Pier 30-32 RORO and General Cargo	RORO, and general cargo facility. Seven acres for staging of oversized farm equipment and breakbulk. The grain elevator began demolition in July, 2024 and will be completed by July 2025 providing an additional 10 acres for staging RORO, wind and general cargoes.

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

**Operating Facilities
December 31, 2024**

Pier 34 Project and General Cargo Terminal	General cargo terminal facility with substantial adjacent open storage area, including unloading, loading and trans-shipping structural members and components for wind-powered electric generating windmills, containers and livestock, and 14 acres of FTZ-036 zone. Construction of specialized rail ladder track for the loading and unloading of rail cars with energy-related and over-dimensional cargo completed in 2012.
Pier 35 Bulk Cargo Terminal-Fertilizer	Operated by CHS, Inc. a major importer of bulk urea fertilizer. Facility has storage capacity of 70,000 short tons. Serviced by BNSF and Union Pacific Railroads. Facility rail track expansion to handle shuttle trains completed in 2012.
West End RoRo and General Cargo Piers 37-40 Berths, 39, 39/40 TH, and 41 were taken out of service for rehabilitation/slip fill in November 2024.	Serves major RoRo cargo ship ocean lines. Major Roll-on/Roll-off (RO-RO) Hub Port on Gulf Coast. Totals 45 acres, including 7.26 acres for FTZ Zone 36, Caterpillar EPC, and LNG Export. Also transloading military household goods for ARC.
The Old Navy Dock on adjacent Pelican Island	Tenant offers a full range of maritime support services including salvage and emergency pollution response solutions for worldwide deployment.
Shipyards Operation on adjacent Pelican Island	Property is 110 acres plus docks, piers and dry-dock facility operated by a major Port tenant. Facility repairs oil rigs, ships, barges and research vessels.
Pelican Island Storage Terminal, Inc.	Liquid bulk terminal operated by Port tenant moving carbon black and heavy fuels. Tank storage capacity is 2.3 million barrels.

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2024



Cruise Terminal 16 Reveal

FEDERAL AND STATE SINGLE AUDIT SECTION



ANNIVERSARY | GALVESTON
EST. 1825 WHARVES

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Annual Comprehensive Financial Report
For the Year Ended December 31, 2024



Port of Galveston, Texas

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Pass-Through to Subrecipient Expenditures
U. S. Department of Homeland Security			
Direct Programs			
Port Security Grant Program	97.056		\$ - \$ 457,773
Port Security Grant Program	97.056		- 84,734
Total Direct Programs			- 542,507
Passed through Governor's Division of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1791DR	- 10,542,774
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4332DR	- 256
Total passed through Governor's Division of Emergency Management			- 10,543,030
Total U.S. Department of Homeland Security			- 11,085,537
U.S. Department of Transportation			
Direct program			
Safe Streets And Roads For All	20.939		- 227,969
Total Direct Program			- 227,969
Total U.S. Department of Transportation			- 227,969
Total Expenditures of Federal Awards			\$ - \$ 11,313,506

The accompanying notes are an integral part of this schedule

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

Schedule of Expenditures of State Awards
Year Ended December 31, 2024

State Grantor/Pass-through Grantor/Program Title	State	
	Identifying Number	Provided to Subrecipients Expenditures
Texas Department of Transportation		
Direct Program		
Port Access Account Fund	9400-00-014	\$ - \$ 6,102,895
Total Texas Department of Transportation		<u>- 6,102,895</u>
Tax Allocation Section of State		
Comptroller's Office		
Direct Program		
LEOSE - Law Enforcement Officer	17410757524-003	- 1,864
Standards and Education		<u>- 1,864</u>
Total Tax Allocation Section of State		<u>- 1,864</u>
Comptroller's Office		
Total Expenditures of State Awards		<u>\$ - \$ 6,104,759</u>

The accompanying notes are an integral part of this schedule

THE BOARD OF TRUSTEES OF THE GALVESTON WHARVES
A Component Unit of the City of Galveston, Texas
Notes to Schedule of Expenditures of Federal Awards and
Schedule of Expenditures of State Awards
December 31, 2024

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Schedule of Expenditures of State Awards (the Schedules) include the federal and state activity of The Board of Trustees of Galveston Wharves (the Port) under programs of the federal and state government for the year ended December 31, 2024. The information in the Schedules are presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Texas Comptroller of Public Accounts, Texas Grant Management Standards* (TxGMS). Because the Schedules present only a selected portion of the operations of the Port, they are not intended to and do not present the financial position, changes in net position or cash flows of the Port.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance (for federal expenditures) and TxGMS (for state expenditures), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Port has elected not to use the 10-percent de minimis indirect cost rate, as allowed under the Uniform Guidance. In accordance with the TxGMS, the Port did not apply or use the indirect cost rate as defined by the TxGMS for the period ending December 31, 2024 .

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of The Board of Trustees of the Galveston Wharves (Port), a component unit of the City of Galveston, Texas, which comprise the Port's statement of financial position as of December 31, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 1, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Forvis Mazars, LLP

**Houston, Texas
May 1, 2025**

Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited The Board of Trustees of the Galveston Wharves' (Port) compliance with the types of compliance requirements identified as subject to audit in *OMB Compliance Supplement* and Texas Grants Management Standards that could have a direct and material effect on the Port's major federal and state programs for the year ended December 31, 2024. The Port's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Port complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal and State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the TxGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Port's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Port's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Forvis Mazars, LLP

Houston, Texas

May 1, 2025

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

Federal and State Awards

Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

Section I – Summary of Auditor’s Results

Financial Statements

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

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Material weakness identified? ☐ Yes ☒ No

Significant deficiency identified? ☐ Yes ☒ None Reported

Noncompliance material to the financial statements noted?
☐ Yes ☒ No

Federal and State of Texas Awards

3. Internal control over major award programs:

Material weakness identified? ☐ Yes ☒ No

Significant deficiency identified? ☐ Yes ☒ None Reported

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

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

5. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and the Texas Grant Management Standards?

☐ Yes ☒ No

6. Identification of major federal and state programs:

97.036 Disaster Grants-Public Assistance

9400-00-014 Maritime Infrastructure Program

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

Federal and State Awards

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2024

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

Federal	\$750,000
State of Texas	\$750,000

8. Auditee qualified as a low-risk auditee?

Federal	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
---------	---	-----------------------------

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal and State Award Findings and Questioned Costs

No matters are reportable.



ANNIVERSARY
EST. 1825

**GALVESTON
WHARVES**



PORT OF GALVESTON

123 25TH STREET, 8TH FLOOR
GALVESTON, TEXAS 77550

WWW.PORTOFGALVESTON.COM