Financial Statements, Required Supplementary Information, and Supplementary and Other Information

Port Authority of Guam
(A Component Unit of the Government of Guam)

Year ended September 30, 2022
with Report of Independent Auditors

Building a better working world

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(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information, and Supplementary and Other Information

Year ended September 30, 2022

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Report of Independent Auditors

The Board of Directors
Port Authority of Guam

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Port Authority of Guam (the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority at September 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Authority, 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 opinion.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 28 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 60 through 62, the Schedule of Pension Contributions on page 63, the Schedule of Proportional Share of the Total OPEB Liability on page 64, and the Schedule of OPEB Contributions on page 65, and the Notes to Required Supplementary Information on page 66 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of details of operating expenses and the schedule of summary of salaries and wages on pages 67 through 71 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of details of operating expenses and the schedule of summary of salaries and wages are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of employees by department on page 72 but does not include the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 August 25, 2023 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Ernst + Young LLP

August 25, 2023

Introduction

The Port Authority of Guam's (PAG, Port, Authority) Management Discussion and Analysis (MD&A) provides an overview of Port’s financial performance and activities for the fiscal years (FY) ended September 30, 2022, and 2021. Port Management prepared the information in this MD&A and should be considered in conjunction with the financial statements and accompanying notes that follow this section.

About Port Authority of Guam

The Port Authority of Guam was established as a public corporation and an autonomous agency of the Government of Guam (GovGuam) by Public Law 13-87 in October 1975. Port operates the only commercial seaport in the Territory of Guam and, as the primary seaport in Micronesia, serves as a transshipment point for the entire Western Pacific region.

Vision

To modernize Port as a first-class facility in the region, providing cargo-handling services safely, efficiently, and sustainably.

To achieve this, Port must increase capacity, execute infrastructure development and expansion to meet the community's organic growth and the impending military buildup, promote economic growth & opportunities for maritime-related industries, and address the needs of port users.

Mission

The Port Authority of Guam is dedicated to providing full services to ocean vessels in support of loading and unloading cargo for Guam and Micronesia. Port is the main lifeline of consumer goods into the island, and as such, it recognizes its responsibility to deliver these goods promptly and efficiently. In support of this mission, Port also provides land and infrastructure to private interests to further develop the maritime industries in Guam. As a public corporation, Port dedicates all of its profit to upgrading equipment and facilities and the continued growth of the island's seaport.

Port owns five cargo-handling piers, two fuel piers, and three marinas. It serves the largest U.S. deep-water port in the region and currently handles about one to two million tons of cargo a year. The cost of operations and capital improvements are funded largely from Port's revenues.

With over 90% of the region's goods and supplies passing through its doorways, Port’s impact on the quality and sustenance of life for the region’s residents cannot be overstated. As Guam produces only limited amounts of food and products on the island, Port is truly the life link between the region and the rest of the world.

Mission, continued

To achieve this, Port must increase capacity, execute infrastructure development, and expand to meet the community's organic growth and the impending military buildup.

Overview of the Port's Financial Statements

The Port's basic financial statements consist of the following: 1) statement of net position, 2) statement of revenues, expenses, and changes in net position, 3) statement of cash flows, and 4) notes to financial statements. Also included are required supplementary information to accompany the basic financial statements.

With the initial adoption of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, the audited financial statements for September 30, 2022, were presented without prior year comparison.

In a separate report, the independent financial auditors issued an unmodified (clean) opinion on Port's FY 2022 financial statements and found no material weakness or significant deficiency in Port's internal control over financial reporting. Additionally, the independent financial auditors issued a clean opinion on Port's FY 2022 compliance over major federal programs and found no material weakness or significant deficiency in Port's internal control over major federal programs. The auditors also concluded that Port qualified as a low-risk auditee. FY 2022 is the fourth consecutive year in which Port qualified as a low-risk auditee.

Local Economic Factors

Guam's economy is expected to continue expanding and recovering throughout FY 2023 and FY 2024. This economic expansion and partial recovery began in 2021 and 2022, restoring Guam's growth trend. This upsurge in anticipated economic activity is the result of simultaneous increases in the following three areas: (1) the progression of the Marine Corps Base (MCB) Camp Blaz construction activity nearing its planned peak, (2) a record level of off-base construction projects, and (3) continued recovery in the tourism sector, which remains severely depressed from the Coronavirus Disease 2019 (COVID-19) and related past international travel restrictions. The construction of Camp Blaz is related to the anticipated relocation of about 5,000 U.S. Marine Corps personnel and their dependents from Okinawa, Japan to Guam – most commonly referred to as the "military buildup."

Guam's three primary sources of inflows of funds are tourism, federal expenditures, and construction capital investment. Tourism has begun a partial rebound from the pandemic virtual shutdown in March 2020, continuing into 2022. Due to military buildup projects and increased non-defense appropriation levels, federal expenditures will likely remain well above recent levels. Construction is almost certain to increase substantially with the support of private, GovGuam, and federal projects already contracted; increasing appropriation levels; workload backlogs; and eased federal restrictions on imported workers to meet the demand. Guam's location in the Pacific will continue to provide a fundamental advantage for U.S. defense and support the long-term trend of tourism expansion.

Local Economic Factors, continued

Construction activity increased dramatically from FY 2020 to FY 2022 as measured by construction employment, H2 workers, and gross receipt taxes paid for construction. The U.S. Department of Defense (DOD) construction contracts in Guam increased in FY 2022. Individual DOD contracts that amounted to $5M or more increased by $326.8M, from $473.2M in FY 2021 to $799.9M in FY 2022. This is due primarily to the ongoing projects related to the anticipated relocation of about 5,000 U.S. Marine Corps personnel and their dependents from Okinawa to Guam. The military buildup, rising valuations, and inflation concerns fueled Guam's real estate market in FY 2022. Guam also saw a $272.1M increase in building and construction permits, from $307.9M in FY 2021 to $580.0M in FY 2022, primarily for residential, commercial, and GovGuam construction. High levels of previously permitted and contracted projects are underway. Building permits and DOD construction contracts are solid indicators of plans backed by financial commitments to commence construction in the near term.

As the only commercial seaport in Guam, over 90% of the region's goods and supplies pass through Port's doorways. As such, Port remained 100% operational despite the public health emergency and struggles brought about by the COVID-19 pandemic in early 2020.

Financial Position Summary

The Net Position (the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources) is an indicator of Port's current fiscal health and financial position over time. The Statement of Net Position is a snapshot presentation of Port's financial position at the end of the fiscal year. A summary of this statement, which includes all of Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2022, is as follows (in thousands):

A summary of the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Assets and Deferred Outflows of Resources		
Current and other assets	$138,939	$121,369
Other noncurrent asset	37,918	---
Capital assets	115,473	116,921
Total assets	292,330	238,290
Deferred outflows of resources	38,352	48,320
Total assets and deferred outflows of resources	$330,682	$286,610

Financial Position Summary, continued

	2022	2021
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities	$ 9,003	$ 7,755
Noncurrent liabilities	229,158	233,052
Total liabilities	238,161	240,807
Deferred inflows of resources	66,139	32,000
Net position:		
Net investment in capital assets	98,457	92,602
Restricted – expendable	46,574	53,693
Unrestricted	(118,650)	(132,492)
Total net position	26,381	13,803
Total liabilities, deferred inflows of resources, & net position	$330,681	$286,610

Source: PAG Financial Audits.

Port's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources by $26.4 million (M) as of FY 2022. Port's total net position increased by $12.6M from FY 2021 to FY 2022. Port's total assets amounted to $292.3M as of FY 2022.

Cash and cash equivalents (restricted and unrestricted) of $129.7M accounted for 44% of Port's assets. Port's restricted, expendable cash and cash equivalents of $96.5M are restricted for the following: a reserve fund used to pay the interest and principal payments due for the 2018 Port Revenue Bonds, future crane acquisition or extraordinary crane maintenance, and the maintenance, replacements, and repair of facilities.

In any given year, the largest portion of Port's net position is its net investment in capital assets (e.g., land, facilities, equipment, and construction in progress). Port uses these capital assets to provide services to its tenants and customers, and to construct, improve, and maintain its assets. Therefore, these capital assets are not available for future spending. Net investment in capital assets accumulated to $98.5M as of FY 2022, or 33.7% of Port's total assets. New asset additions and construction activities of $4.7M during FY 2022 were offset by $6.1M in ongoing depreciation.

Inclusive of federal receivables and the current portion of lease receivables, total accounts receivable of $8.5M comprised only 3% of total assets as of FY 2022.

In support of its mission, Port leases its land, infrastructure, and building space to private companies to further develop the maritime industries in Guam. With the adoption of GASB 87 in FY 2022, Port now recognizes, on the balance sheet, the present value of the lease payments expected to be received for the remainder of the lease term. At the start of FY 2022, Port counted a total of 49 lease agreements with 40 companies. However, only 13 of these leases, with eight companies, were considered applicable and measurable under GASB 87. As the lessor, Port recognized lease receivables (net of the current portion) of $37.9M and a deferred inflow of resources from leases of $38.8M as of FY 2022. All other leases were recognized as revenue on the income statement. Port had no agreements qualifying it as a lessee under GASB 87.

Financial Position Summary, continued

Port's total liabilities amounted to $238.2M, as of FY 2022. Making up 3% of Port's total assets, $9.0M in current liabilities included trade accounts payable, security deposits and other payables, accrued payroll and withholdings, unearned revenue, and the current portion of accrued annual leave.

Port pays all current retirement obligations for all retirees. As is the nature of retirement benefits, coupled with changes in actuarial assumptions, Port's net pension liability and other post-employment benefits (OPEB) liability make up the majority of total liabilities. As of FY 2022, Port's net pension liability decreased to $54.7M, while its OPEB liability increased to $107.5M. Port's net pension liability, OPEB liability, deferred outflows of resources (reported with assets), and deferred inflows of resources (reported with liabilities) are impacted by the annual changes in actuarial assumptions. Additional details regarding Port's net pension and OPEB liabilities may be found in Notes 4 and 5 of this financial audit report.

The remainder of Port's long-term debt on the 2018 Series Revenue Bonds was $67.0M as of FY 2022 or 23% of total assets. At least 59% of the bonds' proceeds are invested in improving Port's existing assets and acquiring new assets. The other 41% was used with respect to the bonds to pay any costs or expenses relating to the authorization, issuance, or sale of bonds; fund a debt service reserve fund; and fund capitalized interest.

With its volume of cash and cash equivalents, compared to its current liabilities, Port can more than cover its short-term obligations and would be considered investment and creditworthy. Even so, Port continues to pay down its long-term debt while still being able to maintain its cash flow. Refer to the *Debt Administration* section for the underlying credit ratings on Port's outstanding 2018 Series Revenue Bonds.

Statements of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provides insight into how the Port's net position changed during the fiscal year. Net position changes are based on the sum of operating and non-operating revenues plus contributed capital minus operating and non-operating expenses. A summarized comparison of the Port's revenues, expenses, and changes in net position (in thousands) for the years ended September 30, is as follows:

	2022	2021
Operating revenues	$57,698	$55,059
Operating expenses	54,553	52,007
Operating income before depreciation	3,415	3,052
Depreciation	6,144	6,258
Operations (loss) income	(2,999)	(3,206)
Nonoperating revenues, net	15,016	754
Capital contributions	561	219
Increase (decrease) in net position	12,578	(2,233)
Net position at beginning of year	13,803	16,036
Net position at end of year	$26,381	$13,803

Source: PAG Financial Audits.

Financial Operation Highlights

A summary of operating revenues is as follows (in thousands):

	2022	2021
Operating revenues		
Cargo throughput charges	$35,976	$34,777
Equipment and space rental	9,553	8,291
Crane surcharge	6,027	5,984
Wharfage charges	6,018	5,799
Special services	92	95
Other operation income	32	113
	57,698	55,059
Provision for bad debts	---	---
Total operating revenues	$57,698	$55,059

Source: PAG Financial Audits.

During FY 2022, Port's operating revenues increased by $2.6M from FY 2021. In FY 2022, Port handled 3% more containers and 30% more breakbulk tonnage than last year. This is reflected in the following revenue increases: cargo throughput charges by $1.2M, crane surcharges by $43K, and wharfage charges by $218K. These increases were hardly impacted by the $3K decrease in special services revenue and the $81K decrease in other operating income.

The $1.2M revenue increase in cargo throughput charges, from FY 2021, are composed of the following increases: direct labor by $527K, breakbulk by $462K, transshipment containers by $339K, and roll-on/roll-off cargo by $74K.

Roll-on/roll-off cargo is cargo discharged without needing Port equipment, such as personal vehicles or heavy equipment. In FY 2022, Port handled 5,291 individual roll-on/roll-off cargo – a 33% increase from the 3,991 individual roll-on/roll-off cargo handled in FY 2021.

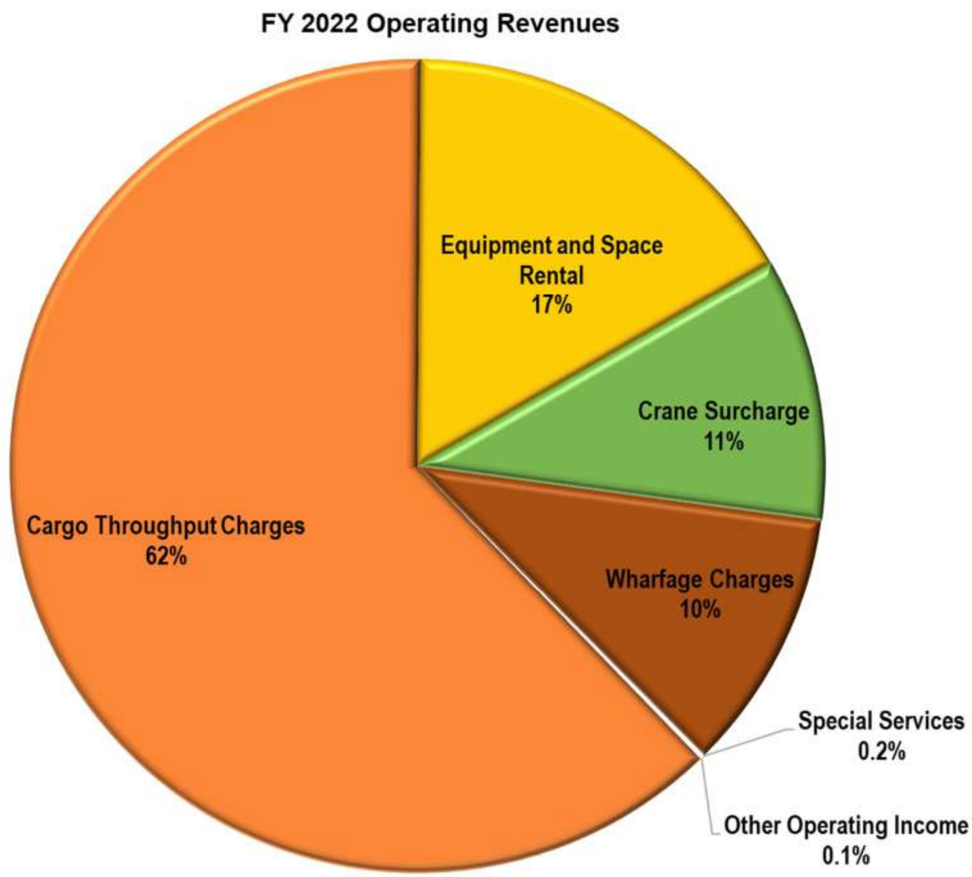
With Port being the only commercial seaport of Guam, Port lacks any meaningful regional competition. Even so, Port recognizes its responsibility to deliver these goods promptly and efficiently, and strives to reduce the turnaround time of ships calling at the terminal. Port's turnaround time is measured in the time spent by a vessel along Port's waterfront (i.e., berth hours) and in the total container movement divided by the operation hours [i.e., container vessel net moves per hour (NMPH)].

From FY 2019 to FY 2022, Port operation's average berth hours for all shipping vessels have improved as compared to its FY 2018 performance. Improved berth hours are evident in the decreased number of hours that major shipping agents have to spend on Port's waterfront. From FY 2019 to FY 2022, Port operation's average net moves per hour for all shipping vessels have improved as compared to its FY 2018 performance. Higher crane productivity per hour is evident in the increased net moves per hour per major shipping agent.

Financial Operation Highlights, continued

Equipment and space rental revenue increased by $1.3M despite some tenants either decreasing their space or terminating their lease. This $1.3M increase is attributed mainly to the increase in demurrage revenue. Port allows shipping agents to store cargo in or on terminal facilities for a short number of days free of charge. After the free period expires, a demurrage fee is charged to continue providing storage for the shipping agent's cargo. As part of its efforts to address the negative economic impacts of the COVID-19 pandemic, during FY 2021, Port extended the free storage period for local containers in Guam and transshipment containers to our neighboring islands.

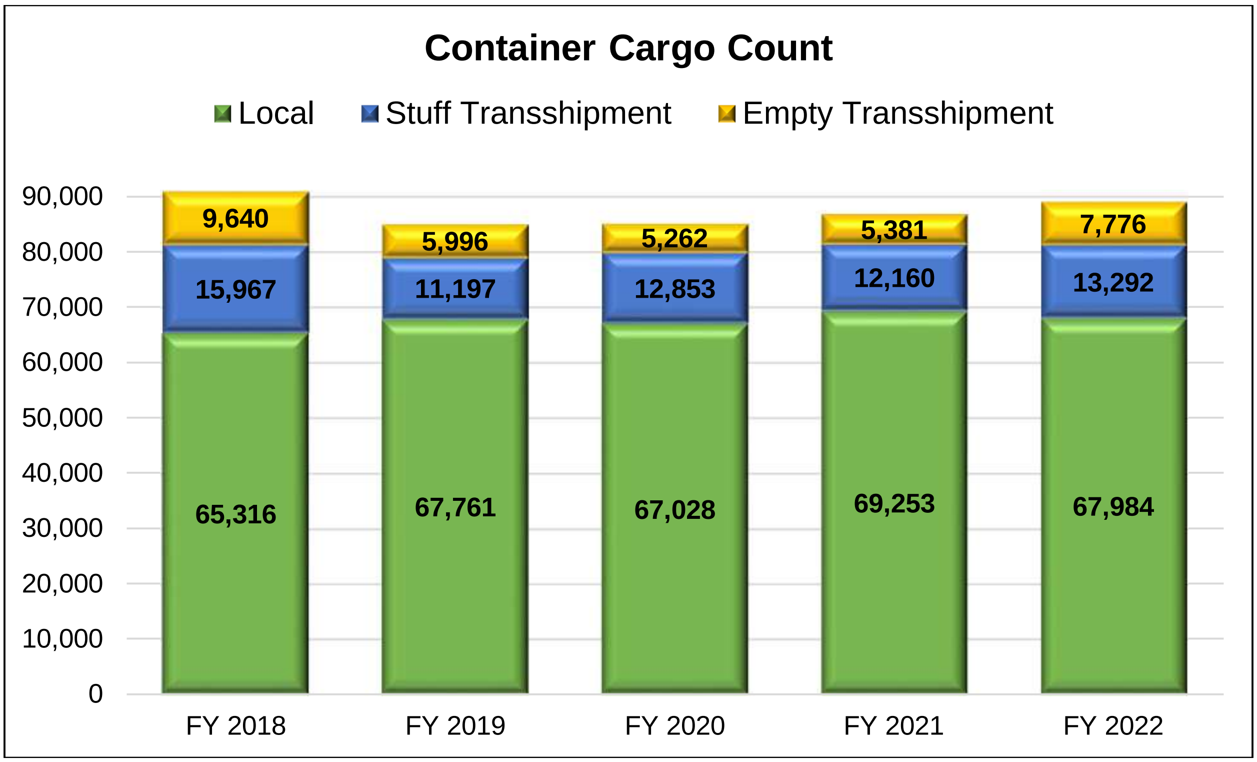
A visual breakdown of the Port's operating revenues for the year ended September 30, 2022 is as follows:



Source: PAG Financial Audits.

Financial Operation Highlights, continued

As evident by the revenues pie chart, the main gauge for Port's annual revenue is the number of cargo it handles. Cargos are classified as either container or non-container (breakbulk). Container cargo refers to the goods that are transported via shipping container. Container cargo is further broken down into either local or transshipment. Local containers contain goods destined specifically for Guam's economy. The majority of local cargo exports are empty containers. Transshipment containers are unloaded at Port for a temporary stage in the yard, then transferred to another vessel to be transported to the final port of discharge. These transit containers typically arrive in the port of Guam from the U.S. or Asia to be transferred to smaller ports in the Commonwealth of the Northern Mariana Islands (CNMI), the Republic of Palau, the Federated States of Micronesia (FSM), and the Republic of the Marshall Islands (RMI). Transshipment containers from the Micronesian islands are then typically sent back (mostly empty) through the port of Guam and outbound to U.S. or Asia ports. Guam's supplemental handling of transshipment cargo bound for, or exported from, allows Port to grow revenues beyond those generally allowed by local economic conditions. Transshipment cargos generate an average of 5% of total annual revenues. A visual breakdown of the container cargo Port handled for the years ended September 30, is as follows:

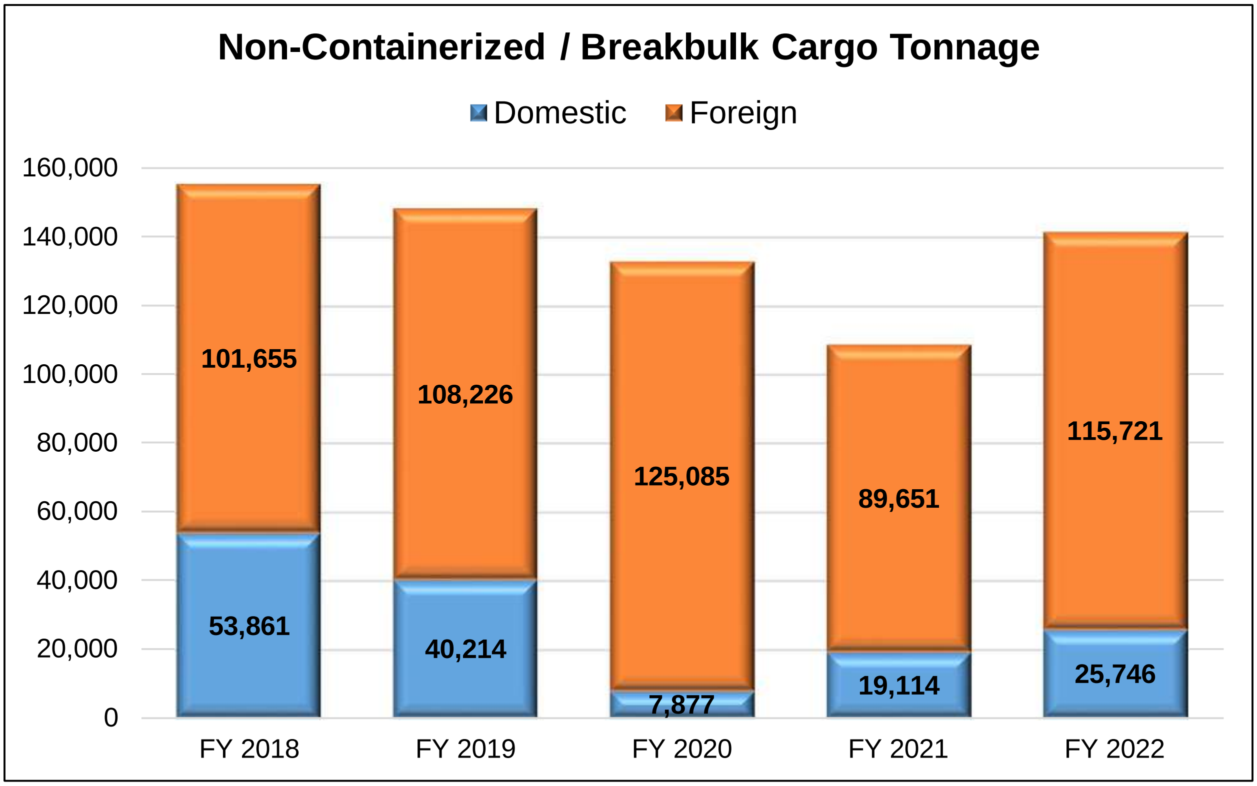


Source: PAG Cargo Statistics.

In FY 2022, Port handled 89K containers, a 3% increase from FY 2021's container count of 87K. This increase is due mainly to the increases in empty transshipment containers by 2K and in stuff transshipment containers by 1K. These were offset by a 1K decrease in local containers.

Financial Operation Highlights, continued

Non-containerized, or breakbulk, cargo refers to the goods that are stowed on board a ship in individually counted units because they cannot fit into shipping containers, or because it is more economical to transport as breakbulk. Breakbulk is charged by tonnage and classified by its origin as either domestic or foreign. A visual breakdown of the non-containerized/breakbulk cargo Port handled for the years ended September 30, is as follows:



Source: PAG Cargo Statistics.

In FY 2022, Port handled 141K tons of breakbulk – a 30% increase from FY 2021's 109K tons of breakbulk. Domestic breakbulk increased by 7K tons, while foreign breakbulk increased by 26K tons. The recent, substantial acceleration of construction activity in Guam in FY 2022 was the likely increase in breakbulk.

Before the operational impact of the COVID-19 pandemic, FY 2019 would be considered the last normal (or base) fiscal year. As evident by the FY 2022 cargo data, container, and breakbulk totals were beyond or within FY 2019 cargo activity. The 89K containers Port handled in FY 2022 is 5% higher than the 85K handled in FY 2019, while the 141K tons of breakbulk handled in FY 2022 is only 5% lower than the 148K tons handled in FY 2019.

Financial Operation Highlights, continued

A summary of operating expenses and depreciation is as follows (in thousands):

	2022	2021
Operating expenses		
Management and administration	$15,086	$14,877
Operations	13,375	13,656
General expenses	9,543	7,946
Retiree healthcare and other benefits	7,964	6,954
Equipment maintenance	6,395	6,432
Facility maintenance	2,190	2,142
Total operating expenses	$54,553	$52,007
Depreciation	$ 6,144	$ 6,258

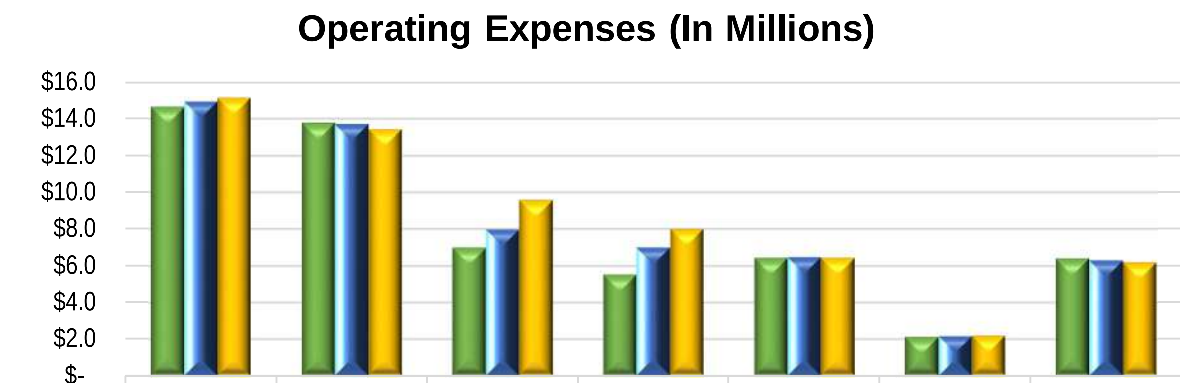
Source: PAG Financial Audits.

During FY 2022, Port's operating expenses (excluding depreciation) increased by $2.5M from FY 2021. This increase is attributed to a rising cost in retiree healthcare and other benefits, as well as to the infrequent expenses of a bathymetric survey that mapped out and illustrated the depths and shapes of the underwater terrain of the F1 Dock substructure; the start of the demolition and disposal of five inoperable cranes and sunken barges; and the Guam Power Authority's (GPA) billing based on consumption history due to their assessment of a poor connection between the meter and the meter socket.

Other increases include management and administration by $209K and facility maintenance by $49K. However, other operating expenses decreased as follows: operations by $282K and equipment maintenance by $37K.

Financial Operation Highlights, continued

A visual breakdown of Port's operating expenses, including depreciation, for the years ended September 30 is as follows:



	Management & Administration	Operations	General Expenses	Retiree Healthcare and Other Benefits	Equipment Maintenance	Facility Maintenance	Depreciation
FY 2020	$14.6	$13.8	$7.0	$5.5	$6.4	$2.1	$6.4
FY 2021	$14.9	$13.7	$7.9	$7.0	$6.4	$2.1	$6.3
FY 2022	$15.1	$13.4	$9.5	$8.0	$6.4	$2.2	$6.1

Source: PAG Financial Audits.

A summary of net nonoperating (expenses) revenues and capital contributions is as follows (in thousands):

	2022	2021
Nonoperating Revenues (Expenses)		
U.S. Government grants	$16,274	$1,996
Interest expense, net	(1,453)	(1,144)
Other income (expense)	207	19
Loss on disposal of property, plant and equipment	(12)	(117)
Total nonoperating revenues, net	$15,016	$ 754
Capital contributions:		
U.S. Government capital grants	$ 561	$ 219

Source: PAG Financial Audits.

Financial Operation Highlights, continued

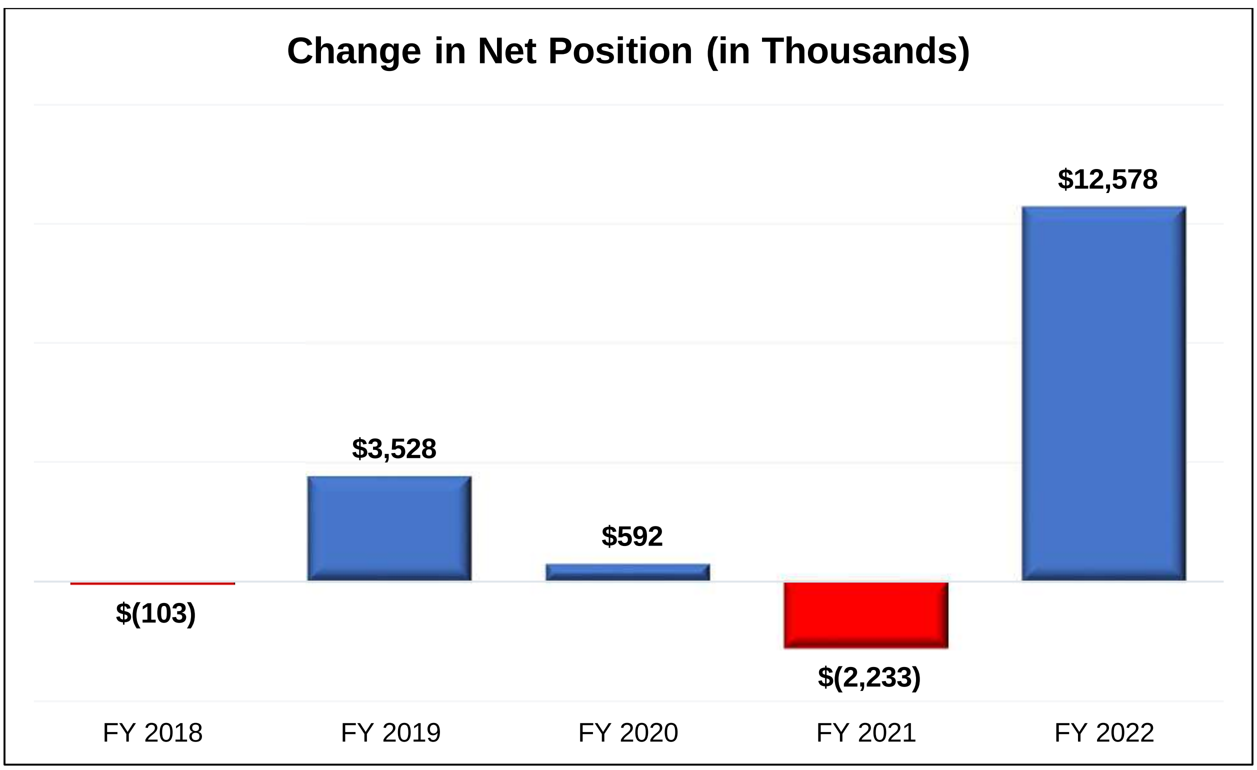
The non-operating activities of FY 2022 resulted in net revenue of $15.0M, due to the $15M grant received from the American Rescue Plan Act of 2021 (ARPA) Fiscal Recovery Funds as a reimbursement for COVID-related expenses and the major and additional efforts Port launched to address the negative economic impacts of the COVID-19 pandemic.

In FY 2022, Port also received $561K in capital contributions from the U.S. Government, specifically from the U.S. Department of Transportation (DOT) Maritime Administration (MARAD) for construction deficiencies & equipment purchases.

Before depreciation (a non-cash expense), the net result of operating revenues minus operating expenses in FY 2022 was an operating income of 3.1M. When adding back the $6.1M non-cash expense of depreciation, the result is a $3.0M operating loss in FY 2022. This is an improvement from the $3.2M operating loss in FY 2021.

After adding $15.0M in net nonoperating revenues and $561K in U.S. Government capital grants, Port concluded FY 2022 with a $12.6M increase in net position (or net income). Port's net position at the end of FY 2022 was $26.4M – almost twice the value of the prior year's ending net position.

A visual breakdown of the Port's changes in net position (i.e., net income and losses), for the years ended September 30 is as follows:



Source: PAG Financial Audits.

Capital Assets

Port’s capital assets, net of accumulated depreciation, made up 40% of total assets – or $115.5M as of FY 2022. Capital assets include land, equipment, buildings and improvements, and construction work in progress. During FY 2022, new assets and construction activities of $4.7M were added, including a cumulative $636K in capital construction projects completed and placed in service as capital assets.

Funded through federal, bond, and Port funds, these capital assets are used to provide services to tenants and customers, and for the modernization and maintenance of Port’s assets.

As part of Port’s vision to meet the island's growth and Management's efforts to ensure Port meets the expectations of our federal, bond, and local stakeholders, the following are updates on some of Port's Capital Improvement Project (CIP) initiatives. Refer to the *Port Modernization* section for more CIP initiative updates.

1. Hotel Wharf Rehabilitation and Reconstruction: In July 2022, Port broke ground to mark the beginning of the project to rehabilitate the Hotel Wharf. This rehabilitation will provide additional vessel berthing capacity for cargo and cruise ships, allow for future homeporting of cruise liners, and provide military readiness – where military assets can be received and deployed at a moment’s notice. The project will take place in two phases – Phase I at $39.5M and Phase II at $6.8M – for a total of $46.3M, and add more than 500 feet of usable wharf water frontage to Port’s footprint. This rehabilitation is funded mainly by Port, including revenue bond proceeds.

2. Waterline Replacement and Relocation: In March 2023, a groundbreaking ceremony was held to mark the beginning of the $4.8M project to replace and relocate the existing 50-year-old waterlines. The new waterlines are expected to improve water pressure to meet local building codes, the National Fire Protection Association, and the U.S. Coast Guard’s requirements for firefighting operations, and address the 15 major leaks identified in the past three years. Port’s revenue bond proceeds will provide funding.

3. EQMR Building and Warehouse 1 Rehabilitation and Upgrade: In April 2023, a groundbreaking ceremony was held to mark the beginning of the $3.1M project to address the concerns that pose hazards to personnel working within the Equipment, Maintenance and Repair (EQMR) Building and Warehouse 1. Repairs and upgrades will harden 79,000 square feet of warehouse space, repair the mechanical and electrical systems within the EQMR Building, upgrade the fire protection system, inspect and replace the corroded reinforced steel in Warehouse 1, and address the existing cracks and spalling affecting the overall structural integrity of the EQMR Building and Warehouse 1. Port’s revenue bond proceeds and a Hazard Mitigation Program Grant will fund both projects.

4. Fuel Pipeline Connectivity: In June 2022, a Notice of Intent to Award was sent to the highest qualified bidder of architectural & engineering (A&E) design services to connect the fuel line between the Golf Pier and the F-1 Fuel Pier. With an estimated cost of $3.0M, $2.4M will be funded by the U.S. Economic Development Authority (EDA), and Port will fund $603K.

Capital Assets, continued

5. Financial Management System (FMS) Upgrade to Oracle JDE Enterprise One (E1): In May 2021, Port's E1 system went live. This $2.5M project was for an upgrade from the prior 20-year-old Oracle JDE World (AS400) FMS. While an FMS is an integral part of this overall system, E1 has the software and processes used to run every aspect of a business and connect those to the accounting ledgers, such as human resources, procurement, fixed assets, maintenance, and repair. Centralizing multiple business applications and the FMS into E1 has helped maintain data integrity and increase accessibility to business metrics, resource management (e.g., cash and inventory), and project management (e.g., job orders and work orders).

   Port's Finance and Information Technology (IT) divisions continue to work with an Oracle maintenance consultant to either improve existing modules or set up and enable other modules to take full advantage of E1's capabilities. E1 has streamlined (1) non-value activities, such as paper filing, spreadsheet reconciliations, manual calculation of interests and collection of late payments, manual inventory processes, and manual financial document delivery; and (2) homegrown systems, such as check printing, electronic funds transfers, W2 processing, requisition, and purchase order processing, tax table update, and financial required reports. Additional capabilities of E1 include the following: (1) tracing the direct and indirect costs of maintenance work orders to the asset, (2) tracing the direct costs of construction or capital improvement job orders into new assets, (3) special service request (SSR) invoicing, and (4) vessel operations invoicing.

6. Removal of the Port Inoperable Assets Project: In March 2022, Port held a ribbon-cutting ceremony to mark the beginning of the $2.5M project to demolish and properly dispose of two ship-to-shore (STS) gantry cranes, two rubber-tired gantry (RTG) cranes, the Mobile Harbor Crane, and both sunken barges at F-6. Demolition of the STS gantry cranes is progressing slowly, and one of the RTG cranes' boom has been lowered for cutting. Work on the other RTG and the sunken barges remain pending. Removing these inoperable assets will allow Port to accommodate an increase of cargoes in its terminal facilities and the additional vessels calling Port.

7. CCTV and Access Control Systems Project: In November 2021, Port kicked off the start of the project to acquire, install, and upgrade Port's closed-circuit television (CCTV) and Access Control Systems (ACS), to enhance maritime and security screening and monitoring. Additional digital cameras were acquired for and installed at the gate booths, and work on the CCTV video wall is ongoing. This $1.2M project is being funded through a combination of funds from Port, the U.S. Department of Homeland Security (DHS)/ Federal Emergency Management Agency (FEMA) Port Security Grant Program (PSGP), and USDOT MARAD Grant Cooperative Program.

Capital Assets, continued

8. Guam's Abandoned Derelict Vessels (ADV) Removal Project: Through the successful coordination of the Guam Environmental Protection Agency (EPA), GPA, Port Harbor Master, Port Commercial staff, the U.S. Navy, and the Governor of Guam, the remnants of approximately 13 abandoned, derelict vessels (previously located inside the Apra Harbor) were removed and staged. These ADVs were removed because they posed navigational hazards and threats to commercial and natural resources in Apra Harbor.

Debt Administration

As of September 30, 2022, Port had $67.0M in outstanding revenue bonds, a decrease from the $69.8M balance as of FY 2021, due to principal payments.

Under the bond indenture of the 2018 Series Revenue Bonds, Port is required to maintain a minimum debt service coverage of 1.25 in relation to net revenues versus annual debt service. A summary of Port's annual debt service coverage for the year ended September 30 is as follows (in thousands):

	2022	2021
Net Revenues[1]	$49,407	$46,933
Less Operations & Maintenance Expenses	49,090	48,637
Net Revenues	317	(1,704)
Plus Other Available Monies	16,390	1,806
Plus Non-Cash Accounting Adjustments	4,335	7,658
Net Revenues & Other Available Monies	$21,042	$ 7,760
Rate Covenant:		
Net Revenues & Other Available Monies	$21,042	$7,760
Total Annual Debt Service	$ 5,754	$5,752
Annual Debt Service Coverage	**3.66**	**1.35**
Required Debt Service Coverage	1.25	1.25

Source: PAG Financial Audits & PAG Enterprise Resource Planning System.

Below are the underlying credit ratings on the Port's outstanding 2018 Series Revenue Bonds.

	S&P	**Moody's**
Rating	A	Baa2
Outlook	Stable	Stable

[1] Except for crane surcharge, facility maintenance fee, and public marina revenues, all other gross revenues of Port were pledged to secure the payment of bond principal and interest.

Debt Administration, continued

In September 2021, Standard & Poor's (S&P) Global Ratings upgraded its outlook of Port from negative to stable and affirmed its 'A' long-term rating on Port's outstanding series 2018 Port Revenue Bonds.

As of October 19, 2022, S&P Global Ratings maintained its outlook of Port as stable and its long-term rating on Port's outstanding series 2018 Port Revenue Bonds as 'A'. This maintained rating reflects S&P Global's opinion that Port's enterprise risk profile is strong, as follows:

- Very Strong Economic Fundamentals – "The port is highly essential, playing a critical role in Guam's economic vitality and on-island military operations and expansion, and in general for the provision of basic supplies for residents and visitors."
- Adequate Market Position – "The port lacks any meaningful regional competition, including nearby ports in Saipan and Majuro. […] processing approximately 90% of Guam's total volume of goods supplies."
- Strong Governance – "We consider the authority's management and governance strong, reflecting our view of the port's strategic positioning, risk and financial management, and organizational effectiveness. The authority has historically operated in a fiscally prudent manner, implementing tariff increases as needed, building and maintaining cash reserves, and minimally relying on debt issuance to meet capital needs."

S&P Global also opined that Port's financial risk profile is strong due to "its strong financial performance, strong debt and liabilities capacity, and adequate liquidity and financial flexibility." Based on S&P Global's calculations of Port's debt service coverage (DSC), S&P Global expects that Port "will remain at levels that we consider strong over the next few years."

In May 2021, Moody's Investors Service upgraded its outlook of Port from negative to stable and affirmed its Baa2 rating on Port's series 2018 Port Revenue Bonds.

As of May 26, 2022, Moody's Investors Service maintained its outlook of Port as stable and its rating on Port's series 2018 Port Revenue Bonds as Baa2. The scorecard-indicated outcome for Port, based on FY 2021, is A3, which is higher than Baa2. Moody's constrained Port's credit rating due to its exposure to weather-related events (e.g., typhoons) and "linkages to the credit quality of the Government of Guam; and the high customer concentration." Moody's attributed the following as Port's credit strengths:

- Monopoly Position as the Sole Commercial Port in Guam – "The port derives credit strength from its role as the sole commercial port in Guam, handling around 90% of the territory's imported cargo and a significant portion of military cargo." Moody's also indicated that "although the coronavirus pandemic has had [harmful] effects on the island's economy, the port's financial profile remains solid, with stable operating revenue supporting sound levels of debt service coverage (2.0x in fiscal 2021) and liquidity (361 days cash on hand)."
- Low Leverage – "Excluding pensions, the port's leverage is low and supportive of its credit profile." At the end of FY 2022, Port had $67.0M in outstanding revenue bonds.

Debt Administration, continued

- Solid Liquidity – "The port authority's strong liquidity position reflects both unrestricted funds and substantial amounts associated with the 2018 bonds. Total cash and investments at the end of fiscal 2021 were $114.8 million, of which $45.5 million are construction funds from the 2018 bonds." Moody's further noted that "despite the extremely negative effects of the coronavirus pandemic that effectively closed the island's tourism economy, the port's operating revenue in 2020 and 2021 were $54.6 million and $55.1 million, respectively."

Port Modernization

Port's Modernization Program is designed to meet the island's growth, including military realignment and expansion, and growing the tourism market. The key project initiatives for the bond market were as follows:

- Expansion of wharf space to accommodate larger vessels and increase vessel handling capacity;
- Upgrade of the terminal operating system to allow for automated invoicing, cargo, and container tracking, financial management, and maintenance management;
- Expansion of existing facilities to support fishing and cruise line industries; and
- Replacement of gantry cranes at the end of useful life to maintain continuous, uninterrupted cargo movement.

As part of the modernization program, the Port obtained $76.7M in revenue bond proceeds to pay for capital improvements at the Port and refinance some of its existing debt at a lower interest rate. This was also accomplished through legislation. The capital improvement projects to be funded with bond proceeds include the following:

- Rehabilitation of the Hotel Wharf and access road;
- Replacement and relocation of water lines;
- Repair and expansion of the Equipment Maintenance & Repair Building and Warehouse 1;
- Replacement of the Port Administration Building;
- Repair of the Golf Pier – one of two Port-owned fuel piers; and the
- Upgrade of Port's 20-year-old financial management system into a more robust and modern system.

The following are updates to the Port's modernization initiatives:

1. Golf Pier Repairs and Improvements: No contractors submitted their bids under the existing invitation for bid (IFB). Port is working on an alternative solution to demolish and reconstruct the Golf Pier for an estimated cost of $63M. Port revenue bond proceeds of $2M will partly fund this project. For the reconstruction, Port will be submitting a grant application to MARAD's 2023 Port Infrastructure Development Program (PIDP).

2. New Administration Annex Building: Port Management is reviewing the three layout options for the new Administration Building drafted by Port's owner/agent engineer (OAE). Port will fund this project, including $10.4M in revenue bond proceeds.

Port Modernization

3. Agat Marina's Dock B Construction: In August 2022, an official notice to proceed was issued to the awarded contractor with a project bid of $1.5M. This upgrade to the Agat Marina will provide an additional 48 recreational boating slips. This project will be funded by Port funds and a U.S. Fish and Wildlife Service grant, via the Guam Department of Agriculture (DOAg).

4. Harbor of Refuge Installation of Mooring Blocks: In May 2022, Port negotiated an $870K contract, and the selected contractor is obtaining the building permit. A DOAg Fish and Wildlife Boating Infrastructure Grant funds this project.

5. Fendering System Hardening Project: In January 2023, Port gave the awarded contractor the notice to proceed. This project will be funded by a $604K FEMA Hazard Mitigation Grant and $201K from Port.

6. Warehouse I Hardening Project: This $550K project will be funded by a $514K FEMA Hazard Mitigation Grant and $36K from Port.

7. Welding Shop Repairs (Phases I and II): This project will be funded with a $392K grant from the U.S. Department of the Interior Office of Insular Affairs (DOI-OIA) Maintenance Assistance Program (MAP) and Port funds.

8. LC-3 Back-Up Generator Replacement Project: In June 2022, the installation of a new U.S. EPA Tier 4 Prime Power generator, automatic transfer switch (ATS), and above-ground storage fuel tank at Load Center No. 3 (LC-3) was completed at a total cost of almost $350K. This project was funded by a 2019 PSGP grant award and Port funds.

9. Acquisition of TWIC Readers and Credentialing System: Several Transportation Worker Identification Credential (TWIC) handheld reader units were already procured and delivered to the Port Police Division. Port will purchase additional TWIC handheld units, accessories, a 36-month warranty, and a television monitor for Port Police to access/monitor the TWIC Portal database and dashboard.

10. Acquisition and Installation of a Radar Intrusion and Vessel Tracking System: In April 2023, Port executed a notice to proceed to acquire and install a radar intrusion and vessel tracking for the Harbor Master's Office. This $347K project is funded by an FY 2021 PSGP award and matched with Port funds.

11. Supply & Installation of 24ea New Cylindrical Fendering System at Wharf F-3 & 10ea New Rubber Leg Arch Fender at Wharves F-4 to F-6: In September 2022, the installation of new (or rebuilt) fendering systems at Wharves F-3 to F-6 was completed. This project was funded by the Guam Homeland Security/Office of Civil Defense (GHS/OCD) FEMA Public Assistance (PA) Award and Port funds for a total cost of $310K.

Port Modernization, continued

12. Terminal Gate Booth Replacement: The construction of three new concrete terminal gate booths (to replace the smaller, corroded metal booths) was completed. The new booths have increased in size for improved operations functionality, as they are the entry and exit points for all inbound and outbound cargo.

13. EQMR Building Canopy Design and Installation: In May 2022, a canopy was installed in front of the EQMR Building for $105K, including contract work.

14. Agat Marina Northside Catwalk Design-Build: In November 2022, repairs to the Agat Marina Northside Catwalk were completed for $91K in Port funds, including $80K for contract work. This includes repairs such as installing new cylindrical fenders on the north and south side; and removing and disposing of existing dilapidated, treated lumber fenders, tires, corroded bolts, and miscellaneous woods/steel supports.

15. Harbor Master Roof Repair: In August 2022, the repair to the Port Harbor Master's rooftop was completed for a total cost of $61K. This project consisted of removing and disposing of roof debris, pressure washing, leak repair, silicone roof coating, and installing an aluminum pole to mount long-range cameras and a radar antenna.

Key Factors in FY 2022 Operating Results and FY 2023 Future Outlook

Procurement Delegation

Through a close working relationship with Port Management, the Chief Procurement Officer (of the General Services Agency) restored a full delegation of procurement authority to Port in May 2020. In 2006 – fourteen years prior to the restored delegation – Port lost its procurement delegation when the Chief Procurement Officer did not delegate procurement authority. Since 2020, the Chief Procurement Officer has continued to renew the full delegation of procurement authority to Port for fiscal years 2021, 2022, and 2023. This delegation of procurement authority is vital to procuring critical goods and services in connection with Port's Modernization Program.

Training

In support of Port's vision to be a first-class facility in the region and handle cargos safely, efficiently, and sustainably, periodic training is provided for Port management and employees.

Port reinstated the certification training for crane operators, hazardous waste operations, incident response to terrorist training, and prevention and response to suicide incidents. A number of crane operators were identified as eligible for retirement, which would impact productivity if all were separated around the same time. To ensure the flow of goods are not disrupted, Port reinstated on-the-job training for crane operators, and willing employees (within the other Operations divisions) were identified to be cross-trained.

Key Factors in FY 2022 Operating Results and FY 2023 Future Outlook, continued

Training, continued

The cross-training program initiative started back in April 2020 to maximize the limited resources of Port's Operations division with increased capability. Stevedores were cross-trained as Tractor Operators and would be used as needed, and the Crane Operator certification was extended to all port operations personnel. The cross-training program extended into the Maintenance Division, where Fleet Mechanics were cross-trained in the Crane Mechanics section, just as much as the Corrosion section was trained in the Welding section.

In January 2022, Port's General Manager was certified as a Maritime Port Manager (MPM) and a Maritime Port Executive (MPE) by the non-profit membership association of International Association of Maritime and Port Executives (IAMPE).

Port Master Plan Update

In April 2023, Port's Board of Directors unanimously adopted the Port 2023 Master Plan. The 2023 Master Plan is focused on ensuring the future readiness and resiliency of a modernized facility through the hardening of Port assets and resources to address national security concerns from the current and anticipated geopolitical environment, as well as addressing continued professional and technical services oversight and support to address port sustainability and resiliency, environmental initiatives to reduce Port's carbon footprint and reduce its greenhouse effects, and strategic goals toward zero waste improvements.

Since 2013, more than $100M has been invested in the Port Modernization Program, with funding from U.S. DOT MARAD, DOD, and Port funds.

Port Sustainability

All ports emit carbon dioxide and air pollutants through cargo-handling equipment, related facilities, and berthing vessels. As such, sustainable port development is a critical issue for ports worldwide from an economic, social, and environmental standpoint. Port has been working on projects addressing air pollution; dust; noise, and water pollution; re-use and recycling initiatives; protecting freshwater resources; targeted marine litter initiatives; soil and sediment contamination; protecting habitats; and enhancing biodiversity. As part of the 2023 update to the Port Master Plan, a study looked into the benefits of installing solar panels on Port buildings to reduce Port's reliance on the island's power grids. Port's sustainability initiatives include the following:

- We will replace four terminal tractors with 16 Tier-3 ultra-low sulfur diesel (ULSD) terminal tractors and add eight top lifters with Tier-4 ULSD levels to our fleet. Tier-4 engines are required to run off of ULSD, which contains only 15 parts per million of sulfur – the U.S. EPA's diesel standard. According to USEPA, diesel standards collectively reduce harmful sulfur emissions from both on-road and nonroad diesel sources by more than 90%.

Key Factors in FY 2022 Operating Results and FY 2023 Future Outlook, continued

Port Sustainability, continued

- The dismantling and proper disposal of five inoperable cranes and two sunken barges from Port property. Every piece of equipment will be cut up and transported off the island for recycling. Not a single piece of metal taken from these cranes or any debris from the barges will remain in Guam.
- The remnants of approximately 13 abandoned, derelict vessels were removed from the Guam Harbor of Refuge and staged. Their removal helped to protect the environment and facilitated renewed use of the harbor. The physical presence of these abandoned, derelict vessels was detrimental to sensitive marine and coastal habitats as they can sink or move during storms, disperse oil and toxic chemicals still on board, and become a source of marine debris.

Gantry Purchase and Maintenance

Port is the main lifeline to Guam's economy and the neighboring region. It should be viewed as part of the solution for rapidly discharging and deploying military assets and commodities in the Pacific.

Port Management is working with its OAE consultants to develop the STS gantry cranes specifications for procurement. Port is also seeking a waiver to the Buy American Act to procure abroad because the necessary cranes are unavailable domestically. The Buy American Act is required only if Port will acquire the cranes with federal funds.

Port's Planning and Finance divisions will be working with the U.S. Department of Agriculture (USDA) to finalize the application process for a USDA Direct Loan to fund the acquisition of potentially two STS gantry cranes. In May 2022, Port submitted a grant application to MARAD's Mega Grant Program to acquire three STS gantry cranes. As of FY 2022, Port's application was pending USDOT's review and determination.

Port maintains the services of a performance management contractor (PMC) to manage its cranes' performance, operation, and maintenance, as required in the Guam Code.

Federal Grants and Grant Opportunities

Port Management worked closely with the Planning division and respective division heads on the following federal grants:

1. Rebuilding America Infrastructure with Sustainability and Equity (RAISE) Grant: In November 2021, USDOT MARAD awarded Port a $17.9M RAISE grant. Estimated at $22.4M, the $17.9M RAISE grant, supplemented with Port's share of $4.5M, will fund a project to upgrade wharves F1 through F6 to support STS gantry crane operations. This will address specifically the sheet piles and concrete cap spalling at the face of wharves F2, F3, F4, and F6, as well as the deteriorating structure of the F1 Fuel Pier.

Federal Grants and Grant Opportunities, continued

2. American Rescue Plan Act of 2021 (ARPA) Fiscal Recovery Funds: In February 2022, Port received a $15M grant from the ARPA Fiscal Recovery Funds allocated to Guam. With the covered period for eligible use of ARPA funds dating back to March 3, 2021, this grant serves as a reimbursement for COVID-related expenses. As such, this $15M will free up Port's reserve fund to allow funding for capital projects, bond project shortfalls, or the purchase of one new gantry crane.

   As the lifeline to Guam's economy and the neighboring region, Port remained 100% operational despite the struggles brought about by the COVID-19 pandemic. Despite the economic disruptions exacerbated by the COVID–19 public health emergency, our port police, safety, operations, maintenance, engineering, and janitorial divisions endured heightened risks due to the character of their work, which involve regular in-person interactions or regular physical handling of items that were also handled by others. These were supported by administrative and finance divisions, such as hiring, processing shipping documents, billing, vendor payments, and the special services requested by customers.

   Port also launched major and additional efforts to address the negative economic impacts of the pandemic, "including assistance to households, small businesses, and nonprofits, or aid to impacted industries," as follows:
   a. Extended the free storage period for local containers in Guam and transshipment containers to our neighboring islands due to health and safety measures.
   b. Deferred rental payments for lease tenants experiencing financial hardships.
   c. Provided leniency in collecting billings due from shipping agents, who struggle to collect from customers, including small businesses and not-for-profit organizations.
   d. Shouldered bank fees attached to credit card payments made by ratepayers and tenants.
   e. Hosted several on-site vaccination clinics for Port employees, their families, and other stakeholders.

3. MARAD America's Marine Highway Grant: In October 2022, USDOT MARAD awarded Port with a $5.7M grant under America's Marine Highway Program (AMHP) for the Guam Marine Transportation Enhancement Initiative. To reduce congestion, alleviate supply chain bottlenecks, and move goods more quickly from ships to shelves, the $5.7M will go towards expanding Port's fleet of specialized container yard equipment, including two 40-ton loaded container handlers, three 10-ton empty container handlers, five 5.5-ton forklifts, one 180-foot boom lift, nine container yard tractors, and two 40-plug mobile reefer generators.

4. Office of Local Defense Community Cooperation (OLDCC) Grant: In August 2022, OLDCC [formerly the Office of Economic Adjustment (OEA)] awarded Port a $1.2M grant for a comprehensive two-phase in-water infrastructure feasibility study and a military support assessment for Area A (tank farm) and the Hotel Wharf.

Federal Grants and Grant Opportunities, continued

5. FY 2022 Port Security Grant Program (PSGP): In September 2022, US DHS FEMA awarded Port with $564K from its FY 2022 PSGP grant. The PSGP funds will be used for the following projects:
    a. Unmanned Aerial Vehicles (Drones) – Aerial surveillance of both the landside and harbor will allow Port to effectively identify any potential threats to critical assets and human life. This project will directly support Guam's Area Maritime Security Plan (AMSP) in monitoring and preventing any transportation security incidents (TSI) and any potentially harmful acts that may disrupt the flow of essential goods into Guam.
    b. Primary Communications Replacement of Motorola Radio Units – Modern, reliable units will be issued to Port Police, Port Managers, Cabras Island Facility Security Officers, the U.S. Coast Guard, and pertinent GovGuam agency partners to allow seamless, real-time and on-demand communications within Apra Harbor and to all GovGuam, federal, military, and private sector emergency managers and first responders.
    c. Integrated Digital Enhanced Network (iDEN) Technology Redundant Interoperable Communications Systems Service – iDEN technology will allow Port to have direct access and link to DOD components, federal agencies, and private sector partners that deploy the same system. An iDEN will enable seamless communication within the entire Port property and throughout the entire island of Guam.

6. DOI-OIA Maintenance Assistance Program: In June 2022, Port was awarded a $165K grant for the Generator Maintenance and Sustainment Program. As of FY 2022, OIA's Authorization to Proceed was pending a National Environmental Policy Act (NEPA) review by the U.S. Army Corps of Engineers (USACE).

Port's Organizational Culture

The 3rd annual anonymous employee survey of Port's organizational climate was conducted in December 2022 with an 88% response rate – 306 out of 346 employees completed the survey. Overall, survey results showed overwhelmingly positive responses in the areas of job satisfaction, all-time high employee morale, and management support. Compared to the 2021 survey, the 2022 results showed an average increase of 1.8% in positive responses in all categories, as follows:

- On work experience, 98% feel positive about their overall work experience with 93% feeling they receive the information they need to perform their duties and 97% feeling a sense of accomplishment from their work.
- On career development, 96% feel that management and supervisors know their job well, and 95% feel that superiors share their knowledge and skills in handling situations. While 95% feel recognized for good work performance and the areas in which they can improve and 94% feel positive that promotional opportunities were available to them, 87% felt that training opportunities were provided to everyone.
- On employee-peer relationships, 96% feel positive that Port employees have a good relationship with each other, with 97% feeling they were part of a division that works as a team and is always willing to help one another.

Port's Organizational Culture, continued

- On employee-manager relationships, 97% feel positive that their supervisors provide clarification and guidance on the job, 95% feel that management provides them with regular updates on current events and advisories, 94% feel that management supports two-way communication between managers, 95% communicate frequently and honestly about issues that may affect them, and 96% feel positive that management has an open door policy and is accessible and approachable and that employees feel management is fair, transparent and accountable.
- On the COVID-19 pandemic, 94% feel that management made their work environment a safe place to be during the COVID-19 pandemic, and 96% feel that management kept them well-informed throughout the global crisis.

Contacting the Port's Financial Management

The MD&A is intended to provide information concerning known facts and conditions affecting Port's operations. This financial audit report provides a general overview of Port's finances and demonstrates accountability for the funds received and spent.

For additional information about this report, please contact Jose B. Guevara III at the Port Authority of Guam, 1026 Cabras Highway Suite 201, Piti, Guam 96915, or visit www.portofguam.com.

Port Authority of Guam
(A Component Unit of the Government of Guam)

Statement of Net Position

September 30, 2022

Assets and deferred outflows of resources

Current assets:	
Cash and cash equivalents - unrestricted	$ 33,180,401
Cash and cash equivalents - restricted expendable	51,912,182
Total cash and cash equivalents	85,092,583
Accounts receivable, net of allowance for doubtful accounts of $298,963	6,323,425
Lease receivable	1,118,837
Federal receivables	1,010,783
Prepaid expenses	41,636
Total current assets	93,587,264
Cash and cash equivalents - restricted expendable	44,626,093
Replacement parts inventories, net of allowance for obsolescence of $213,048	724,777
Lease receivable, net of current portion	37,918,152
Depreciable property, plant and equipment, net	96,880,279
Nondepreciable property, plant and equipment	18,592,806
Total assets	292,329,371
Deferred outflows of resources from pension	9,546,487
Deferred outflows of resources from other post-employment benefits	28,805,983
Total deferred outflows of resources	38,352,470
Total assets and deferred outflows of resources	$330,681,841

See accompanying notes.

Port Authority of Guam
(A Component Unit of the Government of Guam)

Statement of Net Position, continued

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Current portion of long-term debt	$ 2,685,000
Accounts payable, trade and others	3,633,907
Security deposits and other payables	424,927
Accrued payroll and withholdings	447,334
Current portion of accrued annual leave	1,430,311
Unearned revenue	381,603
Total current liabilities	9,003,082
Long-term debt, net of current portion	64,295,012
Net pension liability	54,733,058
Total collective other post-employment benefits liability	107,471,269
Accrued annual leave, net of current portion	906,400
Accrued DCRS sick leave	1,752,616
Total liabilities	238,161,437
Deferred inflows of resources from leases	38,789,581
Deferred inflows of resources from pension	6,466,534
Deferred inflows of resources from other post-employment benefits	20,883,243
Total deferred inflows of resources	66,139,358
Commitments and contingencies	
Net position:	
Net investment in capital assets	98,456,902
Restricted for:	
Debt service	33,332,007
Capital activities	7,533,747
Port operations	5,708,692
Total restricted – expendable	46,574,446
Unrestricted	(118,650,302)
Total net position	26,381,046
Total liabilities, deferred inflows of resources and net position	$330,681,841

Port Authority of Guam
(A Component Unit of the Government of Guam)

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2022

Operating revenues:	
Cargo throughput charges	$35,975,669
Equipment and space rental	9,553,054
Crane surcharge	6,027,078
Wharfage charges	6,018,007
Special services	91,885
Other operating income	32,323
Total operating revenues	57,698,016
Operating expenses:	
Management and administration	15,086,168
Retiree healthcare and other benefits	7,964,053
Equipment maintenance	6,395,066
Depreciation	6,143,830
Transportation services	5,482,329
Stevedoring services	4,749,173
General expenses	4,211,569
Insurance	3,665,144
Terminal services	3,143,209
Facility maintenance	2,190,952
Utilities	1,665,836
Total operating expenses	60,697,329
Loss from operations	(2,999,313)
Nonoperating revenues (expenses):	
U.S. Government grants	16,274,055
Other expense, net	207,448
Interest expense, net	(1,453,732)
Loss on disposal of property, plant and equipment	(11,513)
Total nonoperating revenues, net	15,016,258
Income before capital contributions	12,016,945
Contributed capital:	
U.S. Government capital grants	560,673
Increase in net position	12,577,618
Net position at beginning of year	13,803,428
Net position at end of year	$26,381,046

See accompanying notes.

Port Authority of Guam
(A Component Unit of the Government of Guam)

Statement of Cash Flows

Year ended September 30, 2022

Cash flows from operating activities:	
Cash received from customers	$ 57,755,122
Cash payments to suppliers for goods and services	(17,357,050)
Cash payments to employees for services and benefits	(32,079,867)
Net cash provided by operating activities	8,318,205
Cash flows from investing activity - interest received	820,105
Cash flows from capital and related financing activities:	
Capital grants received	560,673
Repayment of long-term debt	(2,560,000)
Interest paid	(3,162,392)
Purchase of property, plant and equipment	(4,707,644)
Net cash used in capital and related financing activities	(9,869,363)
Cash flows from non-capital related financing activities:	
Operating grants received	15,422,235
Other non-capital activities	207,448
Cash provided by non-capital related financing activities	15,629,683
Net increase in cash and cash equivalents	14,898,630
Cash and cash equivalents at beginning of year	114,820,046
Cash and cash equivalents at end of year	$129,718,676
Reconciliation to statement of net position:	
Cash and cash equivalents - current	$ 33,180,401
Cash and cash equivalents - restricted current	51,912,182
Cash and cash equivalents - restricted non-current	44,626,093
	$129,718,676

See accompanying notes.

Statement of Cash Flows, continued

Reconciliation of loss from operations to net cash provided by operating activities:	
Loss from operations	$(2,999,313)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	6,143,830
Noncash other post-employment benefit costs	5,210,175
Lease amortization	388,333
Noncash pension expenses	(875,964)
Changes in operating assets and liabilities:	
Accounts receivable, net	(435,151)
Prepaid expenses	(41,594)
Replacement parts inventories, net	(222,952)
Accounts payable, trade and others	1,613,312
Security deposits and other payables	(426,795)
Accrued payroll and withholdings	(291,439)
Accrued annual leave	(16,936)
Unearned revenue	103,924
Accrued sick leave	168,775
Net cash provided by operating activities	$ 8,318,205

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

The Port Authority of Guam (the Authority) was created by Public Law 13-87 as an autonomous instrumentality of the Government of Guam to own and operate the facilities of the Commercial Port of Guam. All assets and liabilities were transferred from the Commercial Port of Guam to the Authority at book value effective April 20, 1976. The Authority is governed by a five-member Board of Directors appointed by the Governor with consent provided by the Legislature. The Authority is a component unit of the Government of Guam (GovGuam).

The Authority's main cargo handling facilities are located on thirty acres of reclaimed land on Cabras Island in Piti, Guam. Title to this land was transferred from GovGuam to the Authority in 1979. Eleven acres of adjacent property was assigned to the Authority from the U.S. Navy at an annual rent of $1 to be used for future container yard expansion.

The Authority controls and/or manages approximately 260 acres of fast and submerged lands inclusive of the thirty acres noted previously. These areas include the Harbor of Refuge, Aqua World Marina, a portion of the Piti Channel, Agat Marina, Gregorio D. Perez Marina, Hotel Wharf, Dog Pier, Family Beach and the Port Authority Beach. The Guam Economic Development Authority (GEDA) has assigned the management of the thirty-two-acre Cabras Industrial Park to the Authority.

On July 14, 2009, Public Law 30-52 placed the Authority under the oversight of the Public Utilities Commission of Guam (PUC). Because of the rate making process, certain differences may arise in the application of accounting principles generally accepted in the United States of America between regulated and non-regulated enterprises. Such differences mainly concern the time at which various items enter into the determination of net earnings in order to follow the principle of matching costs and revenues.

Basis of Accounting

The Authority utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Operating and Nonoperating Revenues and Expenses

The Authority's revenues are derived primarily from providing various services to major shipping line customers under an approved tariff rate schedule and are reported as operating revenues. Revenue is recognized on the accrual basis and is recorded upon billing when services have been completed. Capital grants, financing or investing related transactions are reported as non-operating revenues and expenses. All expenses related to operating the Authority are reported as operating expenses. Capital grants and other capital contributions from governmental agencies are recorded as net position when earned. Operating grants are recorded as revenue when earned.

1. Organization and Summary of Significant Accounting Policies, continued

Net Position

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of the following three sections:

Net investment in capital assets:

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted:

Nonexpendable - Net position subject to externally imposed stipulations that require the Authority to maintain them permanently.

Expendable - Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire with the passage of time.

All of the Authority's restricted net position at September 30, 2022 is expendable.

Unrestricted:

Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Cash and Cash Equivalents

For purposes of the statements of net position and of cash flows, cash and cash equivalents is defined as cash on hand, deposits in banks, time certificates of deposit, money market funds and short-term investments in U.S. Treasury obligations with original maturities of three months or less. Restricted cash is considered to be cash and cash equivalents but is separately classified in the statement of net position.

Accounts Receivable and Allowance for Doubtful Accounts

Substantially all of the Authority's accounts receivable as of September 30, 2022 are due from international steamship lines/agents which are located or operating on Guam.

The Authority performs periodic credit evaluations of its customers, and generally does not require collateral. Receivables are considered past due when payment is not received within 30 days from the date of billing. As of September 30, 2022 receivables that are more than thirty days past due totaled $1,062,977. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. Uncollectible accounts are written-off against the allowance or are charged to expense in the period the Authority deems the accounts to be uncollectible.

1. Organization and Summary of Significant Accounting Policies, continued

Replacement Parts Inventories

Replacement parts inventories consist of spare parts and supplies stated at average cost and are charged to expense as used. Due to the nature and availability of parts necessary for operations, inventory includes items which often are not used within one year and are largely used for repair and maintenance of non-current plant and equipment. Thus, replacement parts inventories are classified as non-current assets.

Property, Plant and Equipment and Depreciation

Land is recorded at its appraised value on the date of transfer from GovGuam. Buildings and structures are stated at cost, which prior to the adoption of GASB Statement No. 89, includes interest during the construction period. Equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (5 - 40 years for buildings and equipment). Current policy is to capitalize individual purchases over $1,000 with useful lives exceeding one year. Normal maintenance and repairs are charged to operating expense as incurred; expenditures for major additions, improvements, infrastructure and replacements are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to nonoperating revenue or expense, respectively.

Compensated Absences

Compensated absences are recorded as a long-term liability in the statement of net position. Estimated amounts to be paid during the next fiscal year are reported as current liabilities. Annual leave pay is convertible to pay upon termination of employment.

In accordance with Public Law No. 27-5 and Public Law No. 28-68, employee annual leave accrual rates are credited at either 104, 156 or 208 hours per year, depending upon the employees' length of service as follows:

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service;
2. Three-fourths day (6 hours) for each full bi-weekly pay period in the case of employees with more than five (5) years of service but less than fifteen (15) years of service; and
3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with more than fifteen (15) years of service.

The statutes further amended the maximum accumulation of such annual leave credits from 480 to 320 hours. Public Law No. 27-106 allows employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, to carry over their excess and to use the excess amount of leave prior to retirement or termination from service or they may credit not more than 100 excess hours to sick leave. However, at retirement, lump sum compensation or retirement credit for annual leave in excess of three hundred twenty (320) hours is not allowed.

Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement.

1. Organization and Summary of Significant Accounting Policies, continued

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Authority recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents the Authority's proportional share of excess total pension liability over the pension plan assets - actuarially calculated - of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes the Authority's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Other Post-Employment Benefits (OPEB)

OPEB is required to be recognized and disclosed using the accrual basis of accounting. OPEB offered to the Authority's retirees includes health and life insurance. The Authority recognizes OPEB liability for the defined benefit OPEB plan in which it participates, which represents the Authority's proportional share of total OPEB liability - actuarially calculated - of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established; thus, the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in the OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until the applicable future period.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until the applicable future period.

1. Organization and Summary of Significant Accounting Policies, continued

Taxes

As an instrumentality of GovGuam, the Authority and all property acquired by or for the Authority, and all revenues and income there from are exempt from taxation by GovGuam or by any political subdivision or public corporation thereof and from all taxes imposed under the authority of the Guam Legislature, or with respect to which the Guam Legislature is authorized to grant exemption.

Risk Management

The Authority has commercial insurance coverage for directors' and officers' liability, comprehensive liability, employee dishonesty and forgery, money and securities loss, and automobile injury and property damage. Worker's compensation is managed through the local Department of Labor under the Government of Guam Special Fund (Special Fund); however, the Authority reimburses the Special Fund for the costs of claims. The Authority also has commercial property insurance coverage for 100% of the total net book value of property, plant and equipment, subject to deductibles. The Authority incurred no casualty losses in excess of insurance coverage during the year ended September 30, 2022.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncement

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. The adoption of GASB Statement No. 87 did not have an effect on beginning net position. The Authority recorded lease receivables and deferred inflows of resources from leases of $40,157,936 at October 1, 2021 .

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Starting October 1, 2021, no interest was capitalized. Prior to the adoption of this statement, the Authority capitalized interest on construction in progress based on the weighted average interest rate.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The adoption of this statement does not have a material effect on the financial statements.

1. Organization and Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement, continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The adoption of this statement does not have a material effect on the financial statements.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The adoption of this statement does not have a material effect on the financial statements.

Upcoming Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literate enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. GASB Statement No. 99 will be effective for fiscal year ending September 30, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

The Authority is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

2. Cash and Cash Equivalents

The 2018 bond indenture agreement requires the establishment of special funds to be held and administered by trustees. In addition, proceeds from borrowings to finance various construction projects are maintained by the Authority in construction accounts as required by the 2018 bond indenture. Also, certain funds are restricted by rate orders of the PUC.

The deposit and investment policies of the Authority are governed by 5 GCA 21, *Investments and Deposits*, in conjunction with applicable bond indentures. Authorized investments include obligations issued or guaranteed by the U.S. government or agencies of the U.S. government; bonds, notes or other indebtedness rated in the highest rating by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P); obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities of not more than three years; any bonds or other obligations of any state of the U.S. or any agency, instrumentality or local government unit of such state which are rated in the highest rating category of either Moody's or S&P; demand and time deposits in certificates of deposit or bankers acceptances with U.S. domestic banks which have a rating of their short term certificates of deposit of A-1 or better by S&P and P-1 by Moody's and mature no more than 360 days after purchase; commercial paper which has a rating in the highest classification by S&P and Moody's; and money market funds rated AAA or better by S&P.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

GASB Statement No. 40 also requires disclosures for deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Authority does not have a deposit policy for custodial credit risk.

As of September 30, 2022, the carrying amount of the Authority's cash and cash equivalents totaled $129,718,676, and the corresponding bank balance was $130,147,523. Of the bank balance amount as of September 30, 2022, $19,907,124 was maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2022, bank deposits in the amount of $500,000 were FDIC insured. Bank balances as of September 30, 2022 also include $110,240,399 of short-term investments held and administered by the Authority's trustee in the Authority's name in accordance with a trust agreement and the 2018 bond indenture. As of September 30, 2022, monies in the amount of $9,966,263 were invested in deposit accounts insured by the U.S. Government. The Authority does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

2. Cash and Cash Equivalents, continued

As of September 30, 2022, $9,012,014 of cash and cash equivalents are subject to custodial credit risk. Under 5 GCA21, the Government of Guam requires collateralization of deposits in excess of depository insurance in an amount in value at least ten percent in excess of monies deposited with the financial institution. Such collateralization should be in securities in U.S. Treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of the Government of Guam; investment certificates of the Federal Home Bank; or such securities as may be approved by the Director of Administration and the Governor of Guam. The Authority has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its deposits.

The composition of restricted cash and cash equivalents is as follows:

Current restricted:	
2018 Bond Indenture Funds	
Working capital reserve fund	$ 3,101,212
Debt service fund	1,438,421
Revenue fund	4,750,592
Capital improvement fund	10,236,006
Operations and maintenance fund	158,637
Renewal and replacement reserve fund	3,094,163
Operations and maintenance reserve fund	10,552,975
Bond reserve fund	5,337,736
	38,669,742
PUC Restricted Funds:	
Crane replacement sinking fund	7,533,747
Facility maintenance fund	5,708,693
	13,242,440
Total restricted cash and cash equivalents - current	51,912,182
Noncurrent restricted:	
2018 Bond Indenture Fund - Construction fund	44,626,093
	$96,538,275

3. Property, Plant and Equipment

A summary of changes in property, plant and equipment is as follows:

	Beginning Balance October 1, 2021	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2022
Depreciable:				
Buildings	$ 145,906,642	$ 354,495	$ ---	$146,261,137
Equipment	35,391,762	1,116,024	(150,552)	36,357,234
	181,298,404	1,470,519	(150,552)	182,618,371
Less accumulated depreciation	(79,765,817)	(6,122,827)	150,552	(85,738,092)
	101,532,587	(4,652,308)	---	96,880,279
Non-depreciable:				
Land	3,563,000	---	---	3,563,000
Construction work-in-progress	11,825,197	3,204,609	---	15,029,806
	15,388,197	3,204,609	---	18,592,806
Total	$ 116,920,784	$(1,447,699)	$ ---	$115,473,085

4. Pensions

The Authority is statutorily responsible for providing pension benefits for the Authority's employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans:

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes the Authority, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS) Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans are eligible to receive an annual ad hoc cost of living allowance (COLA).

4. Pensions, continued

A. General Information About the Pension Plans, continued

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or $6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty-six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retirees in the amount of $4,238 per year, but not to exceed $40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of $2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Government of Guam Retirement Security Plan (GRSP). Commencing April 1, 2017 through September 30, 2018, eligible employees may elect, during the "election window", to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018.

4. Pensions, continued

A. General Information About the Pension Plans, continued

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced ½ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the GovGuam as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and the Authority are established and may be amended by the GGRF.

The Authority's statutory contribution rates were 28.32% for the year ended September 30, 2022. Employees are required to contribute 9.5% of their annual pay for the year ended September 30, 2022.

The Authority's contributions to the DB Plan for the year ended September 30, 2022 was $3,294,381, which were equal to the statutorily required contributions for the respective years then ended.

The Authority's contributions to the supplemental annuity benefit payments and the COLA payments for the years ended September 30, 2022 was $1,025,450, which were equal to the statutorily required contributions for the respective years then ended.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Contributions into the DCRS plan by members are based on an automatic deduction of 6.2% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

4. Pensions, continued

A. General Information About the Pension Plans, continued

Statutory employer contributions for the DCRS plan for the year ended September 30, 2022 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

The Authority's contributions to the DCRS Plan for the year ended September 30, 2022 was $3,004,605, which was equal to the required contributions for the respective years then ended. Of these amounts, $2,343,592, was contributed towards the unfunded liability of the DB Plan for the year ended September 30, 2021.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability: At September 30, 2022, the Authority reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2021 which is comprised of the following:

Defined Benefit Plan	$39,038,428
Ad Hoc COLA/supplemental annuity Plan for DB retirees	12,455,789
Ad Hoc COLA Plan for DCRS retirees	3,238,841
	$54,733,058

The Authority's proportion of the GovGuam net pension liabilities was based on the Authority's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2022, the Authority's proportionate shares of the GovGuam net pension liabilities were as follows:

Defined Benefit Plan	4.05%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	4.04%
Ad Hoc COLA Plan for DCRS retirees	4.59%

Pension Expense: For the years ended September 30, 2022, the Authority recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

Defined Benefit Plan	$4,304,986
Ad Hoc COLA/supplemental annuity Plan for DB retirees	1,038,633
Ad Hoc COLA Plan for DCRS retirees	255,718
	$5,599,337

4. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Deferred Outflows and Inflows of Resources: At September 30, 2022, the Authority reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB Retirees		Ad Hoc COLA Plan or DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 62,659	$ 396,937	$ ---	$173,039	$ 356,184	$ 63,072
Net difference between projected and actual earnings on pension plan investments	---	4,715,819	---	---	---	---
Changes of assumptions	---	---	339,402	36,935	657,858	213,634
Contributions subsequent to the measurement date	5,637,972	---	911,450	---	114,000	---
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	1,383,469	---	45,415	197,010	38,078	670,088
	$7,084,100	$5,112,756	$1,296,267	$406,984	$1,166,120	$946,794

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2022 will be recognized in pension expense as follows:

Year Ending September 30	Defined Benefit Plan	Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees	Ad Hoc COLA Plan for DCRS Retirees
2023	$ (126,230)	$(30,963)	$(127,443)
2024	(348,642)	(30,963)	(127,443)
2025	(1,017,409)	(30,963)	(127,443)
2026	(1,996,397)	26,538	112,287
2027	(39,082)	21,311	90,492
Thereafter	(138,868)	22,873	284,876
	$(3,666,628)	$(22,167)	$ 105,326

4. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

Expected Rate of Return and Asset Allocation: The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

Asset Class	Target Asset Allocation	Nominal Return	Component Return
U.S. Equities (large cap)	26.0%	7.44%	1.93%
U.S. Equities (small cap)	4.0%	9.23%	0.37%
Non-U.S. Equities	17.0%	9.28%	1.58%
Non-U.S. Equities (emerging markets)	3.0%	11.32%	0.34%
U.S. Fixed Income (aggregate)	22.0%	3.89%	0.86%
Risk Parity	8.0%	5.92%	0.47%
High Yield Bonds	8.0%	6.42%	0.51%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7.0%	8.20%	0.57%
Global Infrastructure	2.5%	7.58%	0.19%
Expected average return for one year			7.04%
Expected geometric mean (30 years)			6.36%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments was 2.26%, which is equal to the rate of return of a high-quality bond index.

4. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the Authority's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

	1% Decrease in Discount Rate 6.0%	Current Discount Rate 7.0%	1% Increase in Discount Rate 8.0%
Net Pension Liability	$49,291,139	$39,038,428	$26,340,116

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate 1.26%	Current Discount Rate 2.26%	1% Increase in Discount Rate 3.26%
Net Pension Liability	$13,659,697	$12,455,789	$11,404,782

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate 1.26%	Current Discount Rate 2.26%	1% Increase in Discount Rate 3.26%
Net Pension Liability	$3,676,736	$3,238,841	$2,865,247

C. Payables to the Pension Plans

As of September 30, 2022, the Authority recorded payables to GGRF of $28,716, representing statutorily required contributions unremitted as of the respective year-ends.

5. Other Post-Employment Benefits (OPEB)

The Authority participates in the retiree health care benefits program. GovGuam's Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an other post-employment benefits plan.

A. General Information About the OPEB Plan:

Plan Description: The OPEB plan is a single-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor's recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a "pay-as-you-go" basis. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by visiting the Guam Department of Administration website – https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports/.

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses become due.

For the year ended September 30, 2022, the Authority reimbursed GovGuam $1,625,903, for its share of the costs of the above-mentioned Plan, which were equal to the statutorily required contributions.

B. Total OPEB Liability

Total OPEB liability at the fiscal year presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting date:	September 30, 2022
Measurement date:	September 30, 2021
Valuation date:	September 30, 2020

Total OPEB liability as of September 30, 2022 is $107,471,269.

Proportionate share of total OPEB liability at September 30, 2022 is 3.88%.

5. Other Post-Employment Benefits (OPEB), continued

B. Total OPEB Liability, continued

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.75%
Healthcare cost trend rate:	19 percent and 31 percent for FY2021 Non-Medicare and Medicare plans, respectively. 6 percent for FY2022 through FY2023, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for FY2030 and later years.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends. Year 1 trend is assumed to be -3.11%.
Healthy retiree mortality rates:	Head-count weighted PUB-2010 Table, set forward 4 years for males and 2 years for females, respectively, projected generationally using 50% of MP-2020.
Disabled mortality rates:	PUB-2010 Disabled Retiree Amount Weighted mortality table set forward 4 years for males and 2 years for females, respectively, using 130% of the rates before age 80 and projected generationally from 2010 using 50% of mortality improvement scale MP-2020.

OPEB Plan Fiduciary Net Position: An OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

Discount Rate: The discount rate used to measure the total OPEB liability was 2.26% as of September 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from the Authority will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.25% municipal bond rate as of September 30, 2022 was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Total OPEB Liability

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.26%) in measuring the 2021 OPEB liability.

	1% Decrease in Discount Rate 1.26%	Current Discount Rate 2.26%	1% Increase in Discount Rate 3.26%
OPEB Liability	$123,578,947	$107,471,269	$89,059,430

5. Other Post-Employment Benefits (OPEB), continued

C. Changes in the Total OPEB Liability, continued

Healthcare Cost Trend Rate Sensitivity Analysis: The following schedule presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact on the OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the current healthcare cost trend rate used in measuring the 2021 OPEB liability.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
OPEB Liability	$86,392,981	$107,471,269	$127,876,313

D. OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the Authority recognized OPEB expense of $5,282,740. At September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$12,547,874	$15,110,929
Difference between expected and actual experience	9,365,087	5,708,678
Contributions subsequent to the measurement date	1,625,903	---
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	5,267,119	63,636
	$28,805,983	$20,883,243

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2022 will be recognized in OPEB expense as follows:

Year Ended September 30	
2023	$(1,076,762)
2024	2,418,742
2025	3,240,479
2026	1,000,765
2027	713,612
	$ 6,296,836

6. Long-Term Liabilities

A. Long-Term Debt

Long-term bank debt consists of the following:

2018 Series A Revenue Bonds, initial face value of $29,980,000, interest at 5.0% per annum payable semi-annually in January and July, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $270,000 in July 2037, increasing to a final payment of $3,405,000 in July 2048	$ 29,980,000
2018 Series B Revenue Bonds, initial face value of $23,145,000, interest at 5.0% per annum payable semi-annually in January and July, principal payments payable in varying and staggered annual installments commencing with a payment of $1,320,000 in July 2019, with a final payment of $1,725,000 in July 2037	19,505,000
2018 Series C Revenue Bonds, initial face value of $18,320,000, interest at varying rates from 3.587% to 4.582% per annum payable semi-annually in January and July, principal payments payable in varying annual installments commencing with a payment of $2,380,000 in July 2020, with a final payment of $3,370,000 in July 2028	13,235,000
Total long-term debt	62,720,000
Less current portion	(2,685,000)
	60,035,000
Add premium on bonds	4,260,012
	$64,295,012

In June 2018, the Authority issued Revenue Bonds 2018 Series to finance various capital projects, retire certain existing bank loans, provide for capitalized interest for up to two years, fund the bond reserve fund and pay costs of issuance.

All gross revenues of the Authority, except for crane surcharge, facility maintenance fee, and public marina revenues, have been pledged to secure the payment of the bond principal and interest. For the year ended September 30, 2022, the debt service for the series bonds was $5,748,896 or approximately 12% of pledged gross revenues.

6. Long-Term Liabilities, continued

A. Long-Term Debt, continued

Bond premiums associated with the 2018 series bonds are being amortized using the effective interest method over the life of the debt.

As of September 30, 2022, future maturities of long-term debt are as follows:

Year Ending September 30,	Principal	Interest	Total Debt Service
2023	$ 2,685,000	$ 3,063,896	$ 5,748,896
2024	2,820,000	2,935,842	5,755,842
2025	2,955,000	2,801,618	5,756,618
2026	3,085,000	2,670,118	5,755,118
2027	3,225,000	2,531,183	5,756,183
2028 through 2032	9,180,000	10,881,163	20,061,163
2033 through 2037	9,060,000	8,831,000	17,891,000
2038 through 2042	11,550,000	6,328,750	17,878,750
2043 through 2047	14,755,000	3,136,250	17,891,250
2048	3,405,000	170,250	3,575,250
	$62,720,000	$43,350,070	$106,070,070

Changes in long-term bank debt for the year ended September 30, 2022 are as follows:

	Outstanding at September 30, 2021	Increases	Decreases	Outstanding at September 30, 2022	Current	Noncurrent
2018 Series A bonds	$29,980,000	$ ---	$ ---	$29,980,000	$ ---	$29,980,000
2018 Series B bonds	21,825,000	---	2,320,000	19,505,000	2,540,000	16,965,000
2018 Series C bonds	13,475,000	---	240,000	13,235,000	145,000	13,090,000
Unamortized premium on 2018 Series bonds	4,512,826	---	252,814	4,260,012	---	4,260,012
	$69,792,826	$ ---	$2,812,814	$66,980,012	$2,685,000	$64,295,012

Bond Covenants

The Master Indenture, dated July 1, 2018, as supplemented by the First Supplemental Indenture, sets forth the establishment of accounts, the application of revenues, and certain other covenants to ensure payment of debt service. Management believes the Authority was in compliance with all bond covenants as of and for the year ended September 30, 2022. The primary requirements of the Master Indenture are summarized below:

6. Long-Term Liabilities, continued

A. Long-Term Debt, continued

Bond Covenants, continued

Rate Covenant - the Authority has covenanted to at all times fix, prescribe and collect rates, fees and charges sufficient to yield the sum of net revenues available for debt service during each fiscal year equal to at least 1.25 times the total annual debt service for such fiscal year and to yield revenues during each fiscal year equal to at least the total amount of all transfers required to be made to the Operation and Maintenance Fund, the Debt Service Fund, the Bond Reserve Fund, the Subordinate Securities Fund, the Operation and Maintenance Reserve Fund and the Renewal and Replacement Reserve Fund for such fiscal year. Net revenues available for debt service means the sum of all revenues received during the period (excluding crane surcharges, facility maintenance fee, and public marina revenues) less operation and maintenance expenses incurred during such period.

Reserve Funds - the Master Indenture creates the following reserve funds and fund requirements:

- Operation and maintenance reserve fund equal to 90 days, on average, of the total operation and maintenance expenses budgeted by the Authority for the then current fiscal year
- Renewal and replacement reserve fund equal to the greater of (i) an amount equivalent to 30 days, on average, of the total operation and maintenance expenses budgeted by the Authority for the then current fiscal year or (ii) $3 million (required in 2023)
- Bond reserve fund equal to $5,337,736
- Working capital reserve fund equal to 180 days of the operation and maintenance costs of the current fiscal year (required in 2023)

Debt Service Fund - the Master Indenture creates a Debt Service Fund available for the purpose of: (1) paying interest on each bond as it shall become due and payable; (2) paying the principal of each bond when due and payable; (3) paying mandatory sinking account when due; and (4) paying Parity Payment Agreement Payments due and payable. As of September 30, 2022, the Authority is not currently a party to any Parity Payment Agreements.

Operation and Maintenance Fund - the Master Indenture creates an Operation and Maintenance Fund, available for working capital purposes. The Authority must maintain a balance in such account equal to the amount of operation and maintenance expenses budgeted by the Authority to be paid from revenues during the next succeeding calendar month.

Events of default with finance related consequences - the Master Indenture specifies a number of events of default and related remedies. In the event that the amount in any Fund or Account is insufficient for the purposes for which such Fund or Account was established, the Trustee shall transfer such amount as is necessary to satisfy such deficiency.

Acceleration - the remedies granted to the Trustee and the Bondholders under the Master Indenture do not include any right to accelerate the payment of the outstanding bonds. The Trustee is authorized to take certain actions upon the occurrence of an event of default, including proceedings to enforce the rights of Bondholders as outlined in the Indenture.

6. Long-Term Liabilities, continued

B. Other Long-Term Liabilities

Changes in other long-term liabilities in fiscal year 2022 were as follows:

	Outstanding at September 30, 2021	Increases	Decreases	Outstanding at September 30, 2022	Current	Noncurrent
Accrued annual leave	$ 2,353,647	$ 1,777,456	$(1,794,392)	$ 2,336,711	$1,430,311	$ 906,400
Accrued sick leave	1,583,841	1,396,889	(1,228,114)	1,752,616	---	1,752,616
Net pension liability	66,111,010	---	(11,377,952)	54,733,058	---	54,733,058
OPEB liability	97,077,114	10,394,155	---	107,471,269	---	107,461,269
	$167,125,612	$13,568,500	$(14,400,458)	$166,293,654	$1,430,311	$164,863,343

7. Major Customers

For the year ended September 30, 2022, the Authority has three major shipping agency customers that collectively accounted for 72% of total operating revenues. The Authority has a high concentration of credit risk due to the limited number of entities comprising its customer base.

8. Leases

Lease-related amounts are recognized at the inception of leases in which the Authority is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

The Authority, as a lessor, has entered into lease agreements involving land and building space. The Authority also leases equipment and space to tenants on a month-to-month basis.

Total equipment and lease space revenue from tenants for all rentals totaled $9,553,054 for the year ended September 30, 2022. The Authority earned lease revenue of $8,148,699 for variable payments not previously included in measurement of the lease receivable.

A summary of changes in lease receivable for the year ended September 30, 2022 is as follows:

Beginning Balance	Increases	Decreases	Ending Balance	Current	Noncurrent
$40,157,937	$635,741	$(1,756,689)	$39,036,989	$1,118,837	$37,918,152

8. Leases, continued

Lease receivables are due in the upcoming years as follows:

	Principal	Interest	Total
Years ending September 30,			
2023	$ 1,118,837	$ 684,305	$ 1,803,142
2024	1,136,808	666,333	1,803,141
2025	1,155,099	648,042	1,803,141
2026	1,173,716	629,426	1,803,142
2027	1,023,054	610,897	1,633,951
2028 - 2032	4,780,952	2,801,623	7,582,575
2033 - 2037	4,973,655	2,298,418	7,272,073
2038 - 2042	4,799,925	1,930,428	6,730,353
2043 - 2047	4,746,843	1,509,341	6,256,184
2048 - 2052	5,198,971	1,057,213	6,256,184
2053 - 2057	5,694,163	562,020	6,256,183
2058 - 2062	3,234,966	84,500	3,319,466
	$39,036,989	$13,482,546	$52,519,535

9. Commitments and Contingencies

Port Modernization Plan

The Port Modernization Plan (the Plan) spans a 30-year planning horizon with an estimated project cost of $260 million and was conditionally approved in 2008 through Public Law 29-125. The Plan consists of Phases I-A and I-B with a focus on critical maintenance and repair of waterfront activities and Phase II with a focus on expansion needed to address long-term cargo growth demands of Guam and neighboring islands over the next twenty years. In 2009, the Guam Legislature approved Phases I-A and I-B of the Plan through Public Law 30-57.

In June 2008, through a Memorandum of Understanding (MOU), the Authority partnered with the Maritime Administration (MARAD) for the “Port of Guam Improvement Enterprise Program” (the Program). MARAD was designated as the lead federal agency assisting the Authority in securing funding sources to modernize its facilities and operations. Under the Program, MARAD is to provide federal oversight and coordination of projects, act as a central procurement organization, leverage federal, non-federal and private funding sources, and streamline the environmental review and permitting process. The partnership with MARAD was formalized through U.S. Public Law 110-417, *National Defense Authorization Act for 2010*. U.S. Public Law 110-417 also established the “Port of Guam Improvement Enterprise Fund” (the Fund), a separate account in the Treasury of the United States that will be used to receive funding from federal and non-federal sources to carry out the Program.

9. Commitments and Contingencies, continued

Port Modernization Plan, continued

The Authority commenced the Phase I-A of the plan in 2010 with $50 million and $54.5 million appropriations from U.S. Department of Defense (USDOD) and United States Department of Agriculture (USDA), respectively. In November 2013, the Plan was updated to provide a comprehensive view of the Authority's current condition, identify elements of continuous improvement and sustainability, and scale down the components of Phase I-A of the Plan. Changes to the Plan were signed into law through Public Law 32-155 on May 21, 2014. The Authority utilized the $50 million appropriation from the USDOD and only $3.5 million appropriation from USDA and will no longer use the rest due to changes in certain factors relating to the military buildup and cargo forecast.

Appropriation from the USDOD is sourced from the 2010 U.S. Supplemental Appropriations Act that was signed into law in August 2010. The appropriation was transferred to the Fund on September 22, 2010 and is administered and disbursed by MARAD based on the terms of the MOU. The Authority segregated the construction funded by the $50 million USDOD appropriation into three phases. All three phases have been completed and capitalized in 2015. A dashboard project expenditure summary was provided to the Authority by MARAD and was used as the basis for recording of capital assets. The appropriation from the USDOD has a remaining $2,600,000 which has been reprogrammed for the maintenance of the capital assets and for acquisition of equipment.

Government of Guam General Fund

In March 2011, the Authority received a $12,250,000 invoice from GovGuam's Department of Administration (DOA) representing an annual assessment of $875,000 for each of the fiscal years 1998 to 2011 pursuant to 5 GCA Chapter 22 Section 22421, *Transfer of Autonomous Agency Revenues To Autonomous Agency Collections Fund*. In May 2011, the Authority requested DOA further review the assessment as the Authority believes that it does not owe the entire $12,250,000 based on previous transfers in 1994 and 1997 of $500,000 and $3,500,000 to the General Fund and to the Government of Guam Autonomous Agency Infrastructure Collection Fund (AAICF), respectively. The Authority also asserts that it funds certain government services provided by the Guam Customs and Quarantine Agency, the Guam Environmental Protection Agency, the Guam Police Department and the Guam Fire Department through ongoing operations at the Port; contributes to GEDA and Port's Base Realignment and Closure Commission; and, will fund the Tri-Star Pipeline and water line projects in the future. Further, the Authority understands that it is only required to transfer amounts to the AAICF when there is an operating surplus. No liability is recorded for this Government of Guam billing as of September 30, 2022.

9. Commitments and Contingencies, continued

Lawsuit and Claims

The Authority is a defendant in various lawsuits and proceedings arising in the normal course of business. Included in security deposits and other payables account in the statement of net position, the Authority accrued $157K for estimated settlements of various litigation, as of September 30, 2022.

While the outcome of the lawsuits and proceedings cannot be predicted with certainty and could adversely affect the Authority's financial statements, it is the opinion of management, after consulting with its legal counsel, that the ultimate disposition of such suits and proceedings will not have any additional material adverse effect on the Authority's financial statements at this time, and therefore, except as disclosed above, no provision has been recorded for litigation and claims in the financial statements.

Contract Commitments

As of September 30, 2022, the Authority has various on-going construction contracts with a total contract price of $62.8 million, of which $7.0 million has been recorded as construction work-in-progress.

Purchase Commitments

As of September 30, 2022, the Authority has outstanding purchase orders for various equipment purchases totaling $37,100.

10. Subsequent Events

On May 24, 2023, the island of Guam suffered severe damages caused by super typhoon Mawar. As of the date of this report, the Company is unable to reasonably estimate the potential impact super typhoon Mawar might have to its future financial statements.

Required Supplementary Information

Port Authority of Guam
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	2022	2021	2020	2019	2018	2017	2016
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	$39,038,428	$49,926,145	$46,826,407	$41,041,830	$39,782,133	$43,796,523	$44,375,587
PAG's proportion of the net pension liability	4.05%	4.01%	3.86%	3.48%	3.48%	3.20%	3.09%
PAG's covered-employee payroll**	$21,572,942	$20,936,236	$19,644,856	$17,885,121	$17,703,032	$16,202,268	$15,793,402
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	180.96%	238.47%	238.36%	229.47%	224.72%	270.31%	280.98%
Plan fiduciary net position as a percentage of the total pension liability	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

Port Authority of Guam
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2022	2021	2020	2019	2018
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	$12,455,789	$13,145,995	$13,573,770	$11,646,387	$11,683,996
PAG's proportion of the net pension liability	4.04%	4.08%	4.19%	4.02%	4.05%
PAG's covered-employee payroll**	$21,510,185	$21,344,797	$21,332,343	$20,645,687	$20,610,932
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	57.91%	61.59%	63.63%	56.41%	56.69%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

Port Authority of Guam
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	2022	2021	2020	2019	2018
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	$3,238,841	$3,038,870	$3,117,626	$2,527,680	$3,186,769
PAG's proportion of the net pension liability	4.59%	4.58%	5.21%	5.12%	5.10%
PAG's covered-employee payroll**	$12,908,697	$11,867,590	$12,260,578	$13,548,374	$19,228,448
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	25.09%	25.61%	25.43%	18.66%	16.57%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

Port Authority of Guam
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	$ 5,637,972	$ 5,213,259	$ 4,720,759	$ 4,540,620	$ 4,210,492	$ 4,017,046	$ 4,172,659
Contributions in relation to the statutorily required contribution	5,099,085	4,766,204	4,686,893	4,728,288	4,363,054	3,981,412	4,154,190
Contribution (excess) deficiency	(538,888)	$ 447,055	$ 33,866	$ (187,668)	$ (152,562)	$ 35,634	$ 18,469
PAG's covered-employee payroll**	$ 21,572,942	$ 20,936,236	$ 19,644,856	$ 17,885,121	$ 17,703,032	$ 16,202,268	$ 15,793,402
Contribution as a percentage of covered-employee payroll	23.64%	22.77%	23.86%	26.44%	24.65%	24.57%	26.30%

*This data is presented for those years for which information is available.
**Covered-employee payroll data from the actuarial valuation date with one-year lag.

Port Authority of Guam
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Total OPEB Liability
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	$107,471,269	$97,077,114	$92,013,986	$67,314,364	$84,786,658
PAG's proportion of the net pension liability	3.88%	3.85%	3.60%	3.59%	3.49%

* This data is presented for those years for which information is available.

Port Authority of Guam
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of OPEB Contributions
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 8,404,695	$ 8,557,624	$ 6,574,050	$ 7,774,898	$ 8,055,416	$ 6,995,373
Contributions in relation to the actuarially determined contribution	1,613,731	1,412,524	1,542,900	1,644,510	1,508,536	1,508,536
Contribution deficiency	$ 6,790,964	$ 7,145,100	$ 5,031,150	$ 6,130,388	$ 6,546,880	$ 5,486,837

*This data is presented for those years for which information is available.

Port Authority of Guam
(A Component Unit of the Government of Guam)

Notes to Required Supplementary Information (Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to increase to $6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to $6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to $6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to $7,082,000 per year.

Amounts reported in the 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to $6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to $6,078,000 per year rather than $5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Supplementary and Other Information

Port Authority of Guam
(A Component Unit of the Government of Guam)

Schedule of Details of Operating Expenses

Year ended September 30, 2022

Management and administration	
Management:	
Salaries and wages – regular	$ 636,849
Pension cost	164,793
Annual leave	54,724
Fringe benefits	26,217
Benefits – Government contribution	9,059
Office supplies	2,364
Miscellaneous	12,126
Total management	906,132
Administration:	
Salaries and wages - regular	8,582,521
Pension cost	2,255,231
Fringe benefits	755,956
Annual leave	712,748
Repairs and maintenance	698,655
Salaries and wages - overtime	222,728
Furnishings and equipment	113,370
Salaries and wages - other	89,668
Operational supplies	72,161
Benefits - Government contribution	52,793
Office supplies	35,458
Miscellaneous	588,747
Total administration	14,180,036
Total management and administration	$15,086,168

Port Authority of Guam
(A Component Unit of the Government of Guam)

Schedule of Details of Operating Expenses, continued

Year ended September 30, 2022

Equipment maintenance	
Salaries and wages - regular	$3,001,593
Pension cost	787,629
Repairs and maintenance	717,190
Operational supplies	644,382
Fringe benefits	332,292
Salaries and wages - overtime	324,870
Annual leave	240,940
Salaries and wages - other	189,165
Benefits - Government contribution	48,592
Furnishings and equipment	22,660
Office supplies	1,955
Miscellaneous	83,798
Total equipment maintenance	$6,395,066
Transportation services	
Salaries and wages - regular	$2,845,291
Pension cost	770,528
Salaries and wages - overtime	599,031
Gas, oil and diesel	415,279
Fringe benefits	337,422
Annual leave	229,079
Salaries and wages - other	229,042
Benefits - Government contribution	51,799
Office supplies	2,000
Furnishings and equipment	1,884
Operational supplies	957
Miscellaneous	17
Total transportation services	$5,482,329

Port Authority of Guam
(A Component Unit of the Government of Guam)

Schedule of Details of Operating Expenses, continued

Year ended September 30, 2022

Stevedoring services	
Salaries and wages - regular	$2,709,864
Pension cost	700,038
Salaries and wages - overtime	650,123
Fringe benefits	242,126
Annual leave	187,394
Salaries and wages - other	187,642
Benefits - Government contribution	70,074
Operational supplies	1,373
Furnishings and equipment	539
Total stevedoring services	$4,749,173
Facility maintenance	
Salaries and wages - regular	$1,227,481
Pension cost	303,856
Operational supplies	182,714
Fringe benefits	160,715
Salaries and wages - overtime	148,836
Annual leave	88,528
Benefits - Government contribution	18,892
Salaries and wages - other	16,477
Furnishings and equipment	9,468
Repairs and maintenance	6,813
Office supplies	380
Miscellaneous	26,792
Total facility maintenance	$2,190,952

Port Authority of Guam
(A Component Unit of the Government of Guam)

Schedule of Details of Operating Expenses, continued

Year ended September 30, 2022

Terminal services:	
Salaries and wages - regular	$1,865,056
Pension cost	453,170
Salaries and wages - overtime	321,736
Fringe benefits	165,669
Annual leave	145,204
Salaries and wages - other	100,499
Benefits - Government contribution	81,562
Operational supplies	5,800
Office supplies	3,830
Furnishings and equipment	683
Total terminal services	$3,143,209
General expenses:	
Managers' fee	$ 948,234
Maintenance	804,210
Demolition	693,209
U.S. Department of Defense - Office of Economic Adjustment	577,545
Tech Service	320,245
Professional services	222,670
Claims and damages	166,872
Contingencies	159,296
Port incentive award	108,903
Audit	35,000
Workmen's compensation injury allowance	11,085
Board of Directors expense	9,800
Agency fee	7,602
Waste removal	7,420
Inventory adjustment	5,573
Legal counsel	4,980
Miscellaneous	128,925
Total general expenses	$4,211,569

Port Authority of Guam
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Schedule of Summary of Salaries and Wages

Year ended September 30, 2022

Salaries and wages - regular	$20,868,655
Salaries and wages - overtime	2,267,324
Fringe benefits	2,020,397
Salaries and wages - other	812,493
Benefits - Government contribution	332,771
	$26,301,640

Port Authority of Guam
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Employees by Department

Year ended September 30, 2022

Department:	
Management and administration	142
Stevedoring services	53
Equipment maintenance	51
Transportation services	51
Terminal services	37
Facility maintenance	28
	362