

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

Port Authority of Guam

(A Component Unit of the Government of Guam)

*Years ended September 30, 2025 and 2024
with Report of Independent Auditors*



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

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

Years ended September 30, 2025 and 2024

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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 financial statements of the Port Authority of Guam (the Authority), a component unit of the Government of Guam, as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

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, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 as well as the Schedules of Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Proportionate Share of the Total OPEB Liability, and the Notes to Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Details of Operating Expenses and the Schedule of Summary of Salaries and Wages are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Details of Operating Expenses and the Schedule of Summary of Salaries and Wages are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2026, 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

June 23, 2026

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

Management's Discussion and Analysis

Years ended September 30, 2025 and 2024

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, 2025 and 2024. Port Management prepared the information in this MD&A, which 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. In October 2025, Port celebrated 50 years as an autonomous agency – fueling local economies, partnerships, and national security. 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

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 handles approximately two million tons of cargo and 530 vessels handled annually. The cost of operations and capital improvements are funded largely from Port's revenues.

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

Management's Discussion and Analysis, continued

Mission, continued

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.

Local Economic Factors

Our island's economy is expected to continue expanding and recovering from the Coronavirus Disease 2019 (COVID-19) pandemic downturn and the destruction left by the strongest typhoon to hit our island in over 20 years. The COVID-19 pandemic and related international travel restrictions virtually shut down tourism in March 2020 through 2022. Then, in May 2023, our island was struck by Category 4 Typhoon Mawar, which sustained winds of 140 miles per hour – uprooting our trees; wrecking our beaches; turning over our cars; flooding our houses, buildings, and roads; tearing off our roofs; and cutting off our water, electricity, and communication services.

Increased economic activity is anticipated due to simultaneous increases in construction including the U.S. Marine Corps base construction activity nearing its planned peak, missile defense construction, private and Government construction projects, and continued recovery in the tourism sector from Korea and Japan.

Guam's three primary sources of fund inflows are tourism, construction capital investment, and federal expenditures. 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. The growth of Guam's economy has been, and is expected to be, driven by a combination of the needs of a growing population and military presence, continued expansion and diversification in the tourism industry, and private and public investment in construction projects for the civilian and defense sectors.

Tourism expenditures represented the largest share of the sources of fund inflow into Guam's economy pre-pandemic. Tourism has begun a partial rebound with the resumption of international travel after government travel and quarantine requirements eased in both the origin and destinations for travel. In FY 2025, Guam received 729 thousand (K) arrivals – a 3% decline from FY 2024 arrivals. Even so, Guam is still on the road to recovery to achieving pre-pandemic levels where we received 1.6 million (M) in FY 2019. In February 2023, Guam welcomed the first cruise liner to visit Guam since the coronavirus pandemic began. In FY 2025, we welcomed four cruise liners. In 2025, the availability of flights between Guam and Korea were increased and direct flights between Guam and Taiwan were launched. These highlight the growing appeal of Guam as a must-see destination for travelers seeking unique experiences in the Pacific.

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

Management's Discussion and Analysis, continued

Local Economic Factors, continued

Construction activity increased significantly from FY 2020 to FY 2024 as measured by construction employment, foreign nationals brought in to fill temporary labor services, and gross receipts taxes paid for construction. In FY 2025, \$373.3M in building and construction permits were issued – for which \$209M was for new construction (as opposed to renovations or additions). The dollar value of building and construction permits issued in FY 2025 decreased by 1% from the prior fiscal year and increased by 3% from FY 2019 (pre-pandemic).

A strong indicator of future construction, U.S. Department of Defense (DOD) appropriations for military construction in Guam increased from \$1.0 billion (B) in FY 2024 to \$1.5B in FY 2025. Projects authorized in FY 2025 under the National Defense Authorization Act (NDAA) included \$2.2B for authorized construction and land acquisition projects, \$488.2M for family housing, and \$597.1M for Guam defense system. A more immediate and solid indicator of financial commitments to commence construction soon – individual, DOD construction contracts (valued at \$5M+) amounted to \$956.3M in FY 2025. Of that amount, \$623.1M was contracted to Guam-based companies. Moreover, the DOD projects currently under construction still have \$1.3B in work remaining.

Maintaining this level of investment in Guam comes with the Indo-Pacific region taking center stage in global security, in addition 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”. The marines and their dependents were expected to begin their move to Guam by FY 2025, according to the December 2021 Guam Realignment Report. Expansion of the DOD population will result in increased Section 30 and other Guam tax revenues.

Federal government expenditures now represent the largest source of funds flowing to Guam. Before the pandemic, Federal government expenditures ranked as the second-largest source of funds – well behind tourism expenditures. GovGuam continues to receive full Federal reimbursement of annual costs tied to the Earned Income Tax Credit (EITC) and the Childcare Tax Credit. A substantial component of federal expenditures in Guam is for non-discretionary payments, including Social Security and Federal Pensions.

As the only commercial seaport in Guam, handling over 90% of Guam's total volume of goods and supplies, Port plays a critical role in Guam's economic vitality and on-island military operations and expansion.

Overview of Port's Financial Statements

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.

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

Management's Discussion and Analysis, continued

Overview of Port's Financial Statements, continued

In a separate report, the independent financial auditors issued an unmodified (clean) opinion on Port's FY 2025 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 2025 compliance over major federal programs and found no material weakness or significant deficiency in Port's internal control over major federal programs.

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, are as follows (in thousands):

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets and Deferred Outflows of Resources			
Current and other assets	\$141,740	\$141,674	\$139,144
Other noncurrent asset	43,633	35,663	36,781
Capital assets	<u>132,138</u>	<u>127,202</u>	<u>121,860</u>
Total assets	317,511	304,539	297,785
Deferred outflows of resources	<u>31,622</u>	<u>42,532</u>	<u>44,717</u>
Total assets and deferred outflows of resources	<u>\$349,133</u>	<u>\$347,071</u>	<u>\$342,502</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities	\$ 9,613	\$ 10,014	\$ 9,519
Non-current liabilities	<u>199,516</u>	<u>237,427</u>	<u>227,833</u>
Total liabilities	<u>209,129</u>	<u>247,441</u>	<u>237,352</u>
Deferred inflows of resources	99,117	65,318	74,174
Net position:			
Net investment in capital assets	120,434	116,223	106,617
Restricted - expendable	43,358	49,551	47,119
Unrestricted	<u>(122,905)</u>	<u>(131,462)</u>	<u>(122,760)</u>
Total net position	<u>40,887</u>	<u>34,312</u>	<u>30,976</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$349,133</u>	<u>\$347,071</u>	<u>\$342,502</u>

Source: PAG Financial Audits.

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

Management's Discussion and Analysis, continued

Financial Position Summary, continued

As of FY 2025, Port's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources by \$40.9M – Port's total net position at year end. Port's total net position increased by \$6.6M (or 19%) from FY 2024 to FY 2025. Port's total assets amounted to \$317.5M as of FY 2025.

Cash and cash equivalents (restricted and unrestricted) of \$122.1M accounted for 38% of Port's assets. Port's restricted, expendable cash and cash equivalents of \$89.5M include reserves 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 \$120.4M as of FY 2025, or 38% of Port's total assets. New asset additions and construction activities decreased by 35% from \$25.6M in FY 2024 to \$16.7M in FY 2025.

Inclusive of federal receivables and the current portion of lease receivables, total accounts receivable of \$18.1M encompassed only 6% of total assets as of FY 2025.

In support of its mission, Port leases its land, infrastructure, and building space to private companies to further develop the maritime industries in Guam. Port counted a total of 59 lease agreements with 45 companies in FY 2025. However, only 15 of these leases, with nine companies, are deemed long-term and thus recognized on the balance sheet. Port recognized \$47.1M as the present value of the lease payments expected to be received for the remainder of the 15 lease terms (i.e., lease receivables) as of FY 2025. It is to be expected that with every passing year, the value of these lease agreements will decrease as the rent revenue of each respective year is recognized. All other (short-term) leases were recognized directly as revenue on the income statement.

As a public corporation, Port dedicates all of its profit to investing in and upgrading equipment and facilities for the continued growth of the island's seaport. As such, Port had only one lease agreement (as a lessee) required to be recognized on the balance sheet. For FY 2025, a \$155K lease liability and a \$146K lease asset (for leased equipment) were recorded.

Port's total liabilities amounted to \$209.1M as of FY 2025. Making up 5% of Port's total liabilities, \$9.6M in current liabilities included trade accounts payable, security deposits and other payables, accrued payroll and withholdings, unearned revenue, and the current portions of long-term debt and compensated absences (i.e., accrued annual and sick leave).

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

Management’s Discussion and Analysis, continued

Financial Position Summary, continued

Port pays all current retirement obligations for our retirees. As is the nature of retirement benefits, coupled with changes in actuarial assumptions, the net pension liability and other post-employment benefits (OPEB) liability make up the majority of Port’s \$209.1M total liabilities. As of FY 2025, Port’s net pension liability decreased to \$56.8M, while its OPEB liability decreased to \$86.4M. 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 \$57.9M, or 28% of total liabilities, as of FY 2025. At least 59% of the 2018 series bonds’ proceeds were invested to improving Port’s existing assets and acquiring new assets. The other 41% was used to pay any costs or expenses relating to the authorization, issuance, or sale of the bonds; fund a debt service reserve fund; and fund capitalized interest.

With its volume of current cash and cash equivalents, compared to its current liabilities, Port can more than cover its current obligations – providing creditors with greater confidence in extending credit to Port. Port continues to pay down its long-term debt while still able to maintain its cash and cash reserves. Refer to the *Debt Administration* section for the favorable, 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 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 Port’s revenues, expenses, and changes in net position (in thousands) for the years ended September 30, is as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$57,693	\$58,667	\$60,616
Operating expenses	<u>55,338</u>	<u>61,856</u>	<u>56,042</u>
Operating (loss) income before depreciation	2,355	(3,189)	4,574
Depreciation	<u>7,556</u>	<u>6,974</u>	<u>6,189</u>
Operating (loss) income	(5,201)	(10,163)	(1,615)
Nonoperating revenues (expenses), net	9,037	12,936	4,416
Contributed capital	<u>2,739</u>	<u>563</u>	<u>1,794</u>
Increase in net position	6,575	3,336	4,595
Net position at beginning of year	<u>34,312</u>	<u>30,976</u>	<u>26,381</u>
Net position at end of year	<u>\$40,887</u>	<u>\$34,312</u>	<u>\$30,976</u>

Source: PAG Financial Audits.

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

Management’s Discussion and Analysis, continued

Financial Operating Highlights

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues			
Cargo throughput charges	\$34,900	\$36,035	\$36,279
Equipment and space rental	10,865	10,064	10,534
Crane surcharge	5,723	5,943	5,929
Wharfage charges	5,965	6,317	6,184
Special services	155	118	98
Other operating income	85	190	1,677
Provision for bad debts	<u>---</u>	<u>---</u>	<u>(85)</u>
Total operating revenues	<u>\$57,693</u>	<u>\$58,667</u>	<u>\$60,616</u>

Source: PAG Financial Audits.

In FY 2025, Port’s operating revenues decreased by \$974K from FY 2024. During FY 2025, Port handled 2.0% less containers and 10% less breakbulk (non-containerized) cargo, than last year. This is reflected in the following revenue decreases from FY 2024: cargo throughput charges by \$1.1M, crane surcharge by \$220K, and wharfage charges by \$352K. Conversely, special services revenue increased by \$37K.

The \$1.1M decrease in cargo throughput charges revenue is attributed to the following decreases: cargo on chassis by \$1.0M, breakbulk by \$194K, roll-on/roll-off cargo by \$189K, and ground cargo by \$139K. Roll-on/roll-off cargo is cargo discharged without needing Port equipment, e.g., personal vehicles or heavy equipment. In FY 2025, Port handled 7,524 individual roll-on/roll-off cargo, which is a 10% decrease from the 8,350 individual roll-on/roll-off cargo handled in FY 2024.

None of our FY 2025 revenue was formally recorded as uncollectible (provision for bad debts) in accordance with our aging calculation policy.

With Port being the only commercial seaport of Guam, Port lacks any significant 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 by the amount of time a vessel spends along Port’s waterfront (i.e., berth hours) and by the total container movement divided by the operation hours [i.e., container vessel net moves per hour (NMPH)].

Port Authority of Guam
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Management's Discussion and Analysis, continued

Financial Operating Highlights, continued

From FY 2019 to FY 2025, Port's average berth hours for all shipping vessels have improved as compared to its FY 2017 and FY 2018 performance. Improved berth hours are evident in the decreased number of hours that major shipping agents had to spend in Port's waterfront. From FY 2019 to FY 2025, Port's average net moves per hour for all shipping vessels have improved as compared to its FY 2017 and FY 2018 performance. Higher crane productivity per hour is evident in the increased net moves per hour per major shipping agent.

Equipment and space rental revenue increased by \$802K due, in part, to the \$387K 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 for the continued storage of the shipping agent's cargo. Moreover, rent revenue increased by \$527K with the new addition of two five-year lease agreements with one company.

Other operating income decreased by \$105K due mainly to the \$96K decrease in passenger service revenue. In FY 2025, we welcomed only four cruise liners – a considerable drop from the nine cruise liners that visited Guam in FY 2024.

While revenue has been stable, operating margins have narrowed in recent years as inflationary pressures drove operating expenses higher while Port maintained its tariff rates at FY 2021 levels. Our last rate increase was 1% in FY 2021, with no increase from 2021 through 2025. We are planning a multi-year rate increase to realign revenue with the higher cost base, with a proposed 17% rate increase to begin in FY 2026 and phase in fully through FY 2027.

Additionally, in July 2025, Port adopted a new lease rate schedule based on our appraisal consultant's final lease rate valuations for open space, office, warehouse, telecommunications, and the trucker's lot – all in accordance with Public Law 30-19. The new lease rates are projected to increase annual lease revenue by approximately 20%.

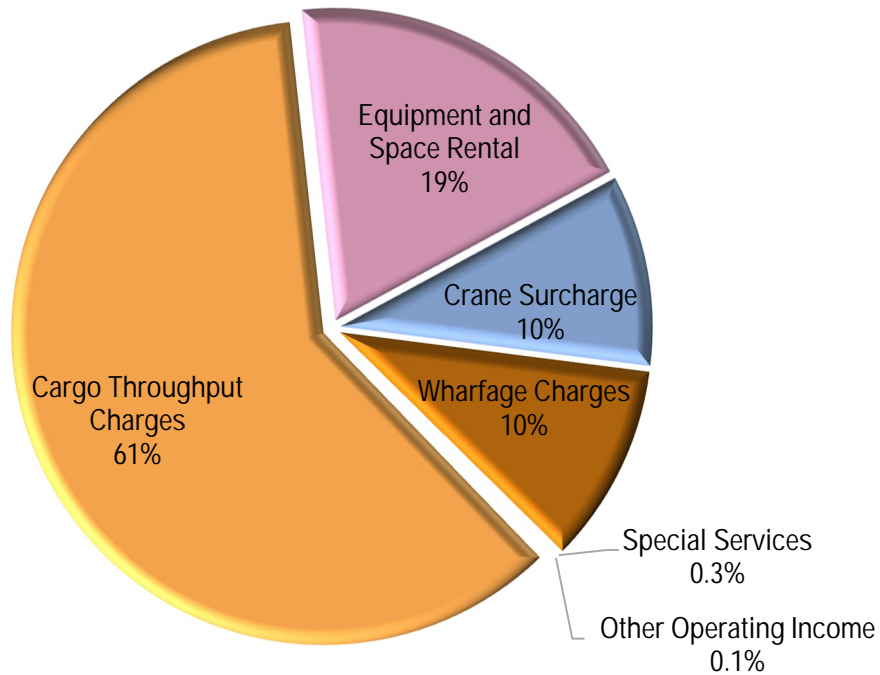
Port Authority of Guam
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis, continued

Financial Operating Highlights, continued

A visual breakdown of Port’s operating revenues for the year ended September 30, 2025 is as follows:

FY 2025 Operating Revenues



Source: PAG Financial Audits.

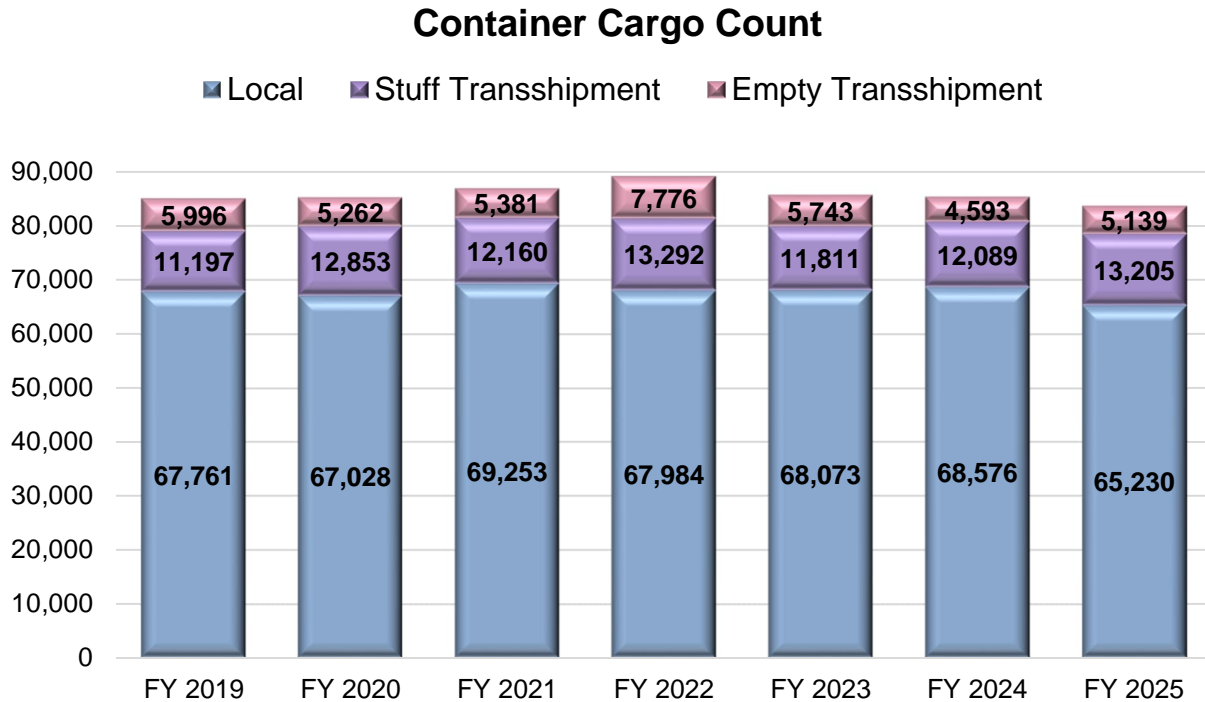
As evident by the revenues pie chart, the main gauge for Port’s annual revenue is the number of cargo it handles. Cargos are classified as either container or non-container (breakbulk). Container cargo refers to the goods that are transported via shipping container. Container cargo is further broken 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 the 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 4% of total annual revenues.

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

Management’s Discussion and Analysis, continued

Financial Operating Highlights, continued

A visual breakdown of the container cargo Port handled for the years ended September 30, is as follows:



Source: PAG Cargo Statistics.

In FY 2025, Port handled 84K containers, a 2% decrease from the prior year’s container count of 85K. The decrease in local containers was offset by the increases in stuff and empty transshipment containers.

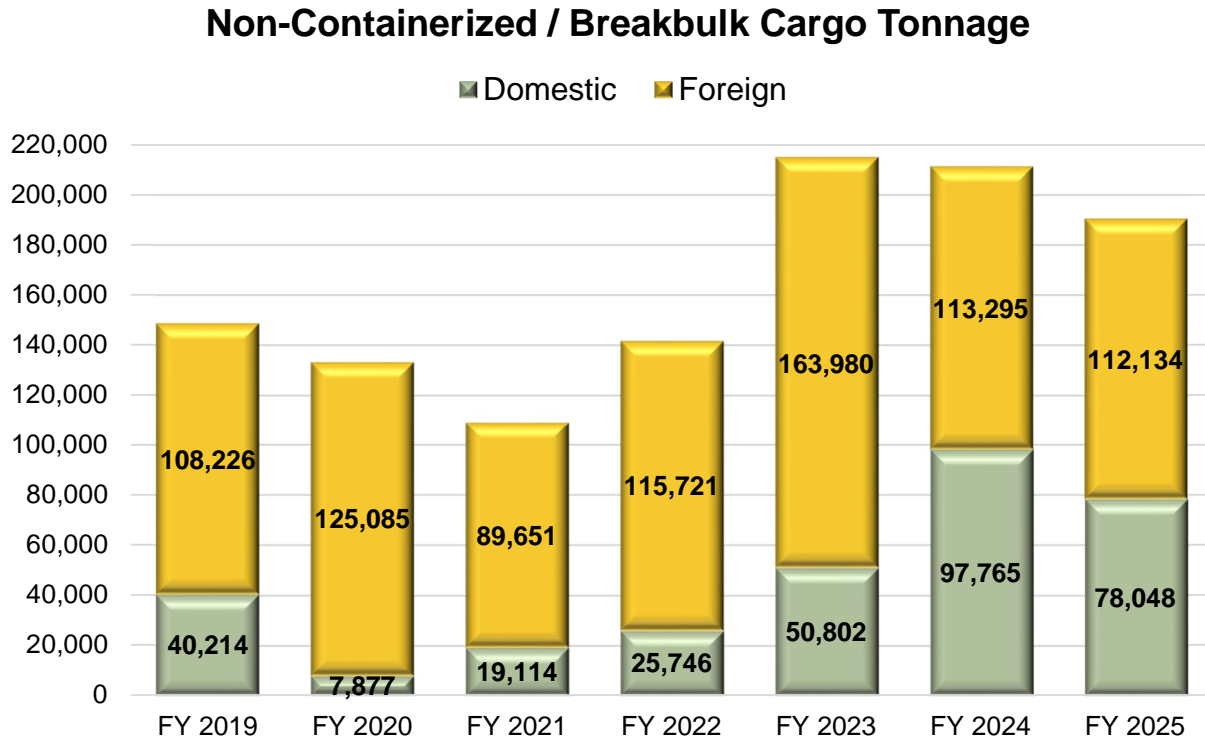
Non-containerized, or breakbulk, cargo refers to the goods that are stowed on board a ship in individually counted units because they cannot fit into shipping containers, or because it is more economical to transport as breakbulk. Breakbulk is charged by tonnage and classified by its origin of either domestic or foreign.

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Management’s Discussion and Analysis, continued

Financial Operating Highlights, continued

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 2025, Port handled 190K tons of breakbulk – a 10% decrease from the prior year’s 211K tons of breakbulk. Domestic breakbulk decreased by 20K tons, while foreign breakbulk decreased by 1K tons.

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 2025 cargo data, container and breakbulk totals were within or beyond FY 2019 cargo activity. The 84K containers Port handled in FY 2025 were only 1.6% lower than the 85K handled in FY 2019, while the 190K tons of breakbulk handled in FY 2025 were 28% higher than the 148K tons handled in FY 2019.

Port Authority of Guam
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Management's Discussion and Analysis, continued

Financial Operating Highlights, continued

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Expenses			
Management and administration	\$ 17,348	\$ 19,064	\$ 17,503
Operations	13,570	15,044	14,807
General expenses	10,191	9,607	8,491
Retiree healthcare and other benefits	6,550	8,604	6,045
Equipment maintenance	5,378	7,019	6,827
Facility maintenance	<u>2,301</u>	<u>2,518</u>	<u>2,369</u>
Total operating expenses	<u>55,338</u>	<u>61,856</u>	<u>56,042</u>
(Loss) income from operations before depreciation	2,355	(3,189)	4,574
Depreciation	<u>7,556</u>	<u>6,974</u>	<u>6,189</u>
Loss from operations	\$(<u>5,201</u>)	\$(<u>10,163</u>)	\$(<u>1,615</u>)

Source: PAG Financial Audits.

During FY 2025, Port's operating expenses (excluding depreciation) decreased by \$6.5M from the prior year. The expense decreases in management and administration, equipment maintenance, transportation services, stevedoring services, terminal services, and facility maintenance are attributed mainly to the non-cash changes in actuarial assumptions for the defined benefit (DB) pension plan and the ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments anticipated to be made to DB members and future COLA to defined contribution retirement system (DCRS) members.

The non-cash changes in actuarial assumptions for the OPEB liability for DB plan participants resulted in the \$2.1M decrease to retiree healthcare and other benefits.

The \$76K decrease in general expenses is largely attributed to decreases in the management and operation of Port's fuel pier facilities and in technical consulting services with our owner agent engineer (OAE).

The other non-cash expense of depreciation increased by \$582K with the transfer and addition of \$8.4M in depreciable capital assets. With Port's dedication to investing in and upgrading equipment and facilities for continued growth, we added \$2.8M in building capital improvements and \$5.6M in new equipment (or equipment capital improvements) during FY 2025.

Insurance expense increased by \$627K because of the increase to Port's FY 2025 premium for property insurance, auto insurance, and inland floater insurance (i.e., for movable property or equipment).

The \$34K increase in utilities resulted from an increase in water and wastewater services.

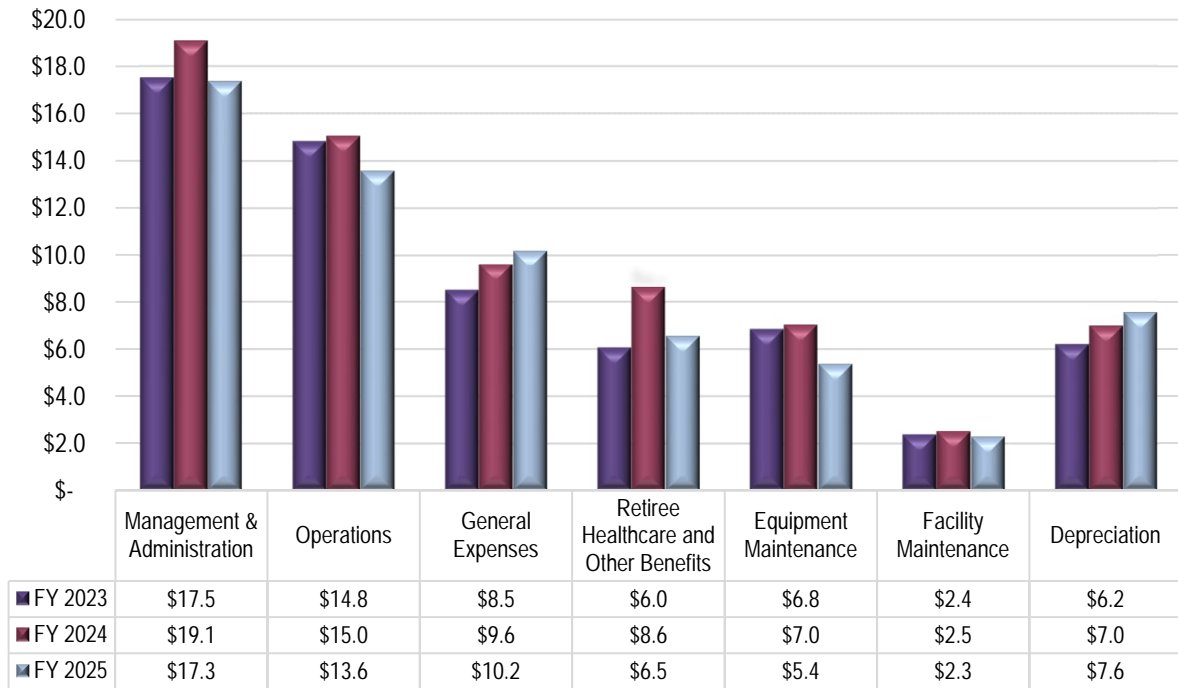
Port Authority of Guam
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Management’s Discussion and Analysis, continued

Financial Operating Highlights, continued

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

Operating Expenses (in Millions)



Source: PAG Financial Audits.

Port Authority of Guam
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Management's Discussion and Analysis, continued

Financial Operating Highlights, continued

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Nonoperating Revenues (Expenses)			
U.S. Government operating grants	\$1,517	\$ 4,586	\$ 2,758
Other income, net	4,895	5,025	382
Interest income (expense), net	2,658	3,393	2,629
Loss on disposal of property, plant and equipment	(33)	(68)	(27)
Impairment loss of depreciable capital assets	<u>---</u>	<u>(---)</u>	<u>(1,326)</u>
Total nonoperating revenues, net	<u>9,037</u>	<u>12,936</u>	<u>4,416</u>
Income before capital contributions	3,836	2,773	2,801
Capital contributions:			
U.S. Government capital grants	<u>2,739</u>	<u>563</u>	<u>1,794</u>
Increase in Net Position	<u>\$6,575</u>	<u>\$ 3,336</u>	<u>\$ 4,595</u>

Source: PAG Financial Audits.

With \$1.5M in U.S. Government operating grants, and \$2.7M in net interest income, and \$4.9M in net other income, our non-operating activities of FY 2025 resulted in a net revenue of \$9.0M. U.S. Government operating grants of \$1.5M was an accumulation of grants from the U.S. Department of Transportation (DOT), DOD, U.S. Environmental Protection Agency (EPA), U.S. Department of Interior (DOI), and U.S. Department of Homeland Security (DHS).

Net other income remained in the millions as a result of the balance owed on the insurance settlement for property damages claimed for Typhoon Mawar in FY 2023. The remaining settlement balance of \$4.9M is net of the deductible and prior interim payments. Among the dozens of buildings and waterfront structures that make up our insurance claim, the most substantial damages were to Wharves F3, F4, and F6 (\$19.6M); Golf Pier and its distribution piping & appurtenances (\$11.5M); the terminal yard (\$1.5M); Sea Plane Ramp/Hotel Wharf (\$1.2M); and Warehouse 1 (\$948K). FY 2023's Typhoon Mawar damaged Golf Pier to the point of rendering it inoperable and requiring a \$1.3M cut to its value (FY 2023 impairment loss).

U.S. Government capital grants increased by \$2.2M from the prior year due to the reimbursements by DOT's America's Marine Highway Program (AMHP) for the purchase of a 180-foot telescopic boom lift, nine container yard tractors, and two refrigerated container (reefer) generators.

Before depreciation (a non-cash expense), the net result of operating revenues minus operating expenses in FY 2025 was an operating income of \$2.4M. When adding back the \$7.6M non-cash expense of depreciation, the result is a \$5.2M operating loss in FY 2025.

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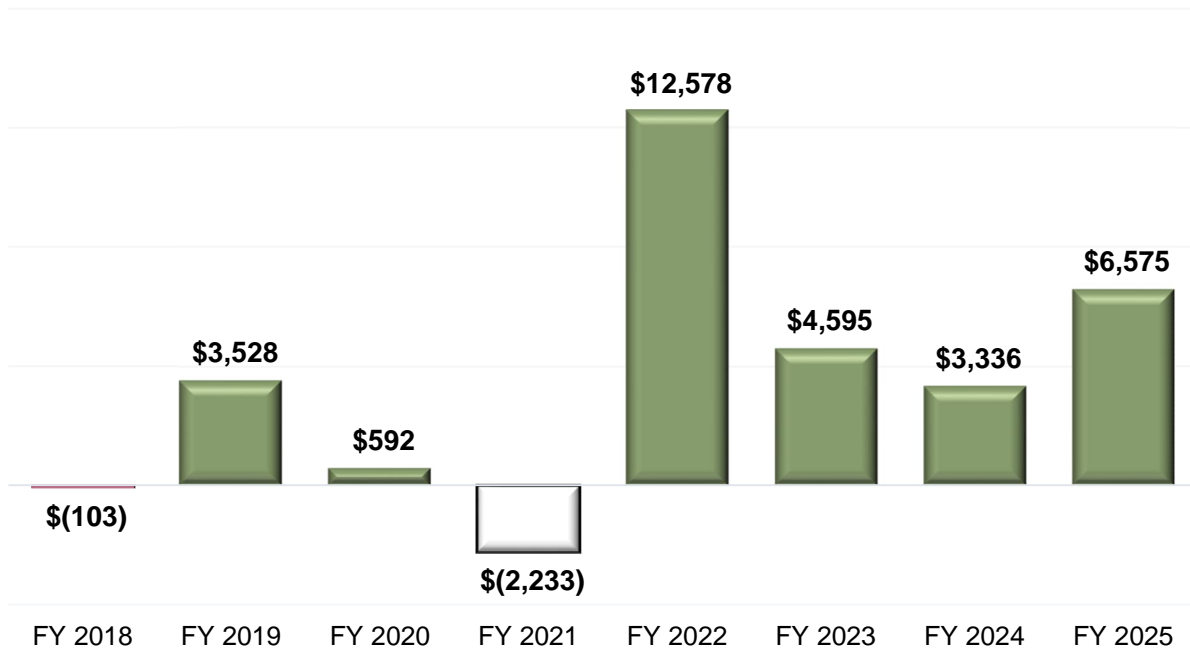
Management’s Discussion and Analysis, continued

Financial Operating Highlights, continued

After adding \$9.0M in net nonoperating revenues and \$2.7M in U.S. Government capital grants, Port concluded FY 2025 with a \$6.6M increase in net position (net income). Port's net position at the end of FY 2025 was \$40.9M.

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

Increase (Decrease) in Net Position (in Thousands)



Source: PAG Financial Audits.

Capital Assets

Port’s capital assets, net of accumulated depreciation, made up 42% of total assets – or \$132.1M as of FY 2025. Capital assets include land, equipment, buildings and improvements, and construction work in progress. In this context, the \$132.0M did not account for the lease asset, i.e., the present value of payments expected to be made during the term of the leased equipment recognized under accounting standards. During FY 2025, new assets and construction/capital improvement activities of \$16.7M were added, including a cumulative \$1.1M in capital construction/ improvement projects completed and placed in service.

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Management's Discussion and Analysis, continued

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 and Improvement* section for more CIP initiative updates.

1. Hotel Wharf Rehabilitation and Reconstruction: This rehabilitation will add more than 500 feet of usable wharf water frontage to Port's footprint, thereby providing additional vessel berthing capacity for cargo and cruise ships, allowing for future homeporting of cruise liners, and providing military readiness – where military assets can be received and deployed at a moment's notice. Previously estimated at \$46.3M total and to be funded mainly by Port's revenue bond proceeds, this rehabilitation was temporarily paused as of April 2024.

In May 2025, Port locked in a four-year lease agreement with a private construction company for the use of Hotel Wharf to carry out critical work tied to repairs at Glass Breakwater. During this private company's tenancy, it stabilized/ resurfaced project zones at Hotel Wharf. In accordance with Public Law 38-26 and Port Board Resolution 2025-22, a lease credit arrangement has allowed lease/ rent payment offsets tied to infrastructure improvements that deliver public benefit and align with Port priorities.

While aware of the potential consequences of delaying H-Wharf construction and that current funds might cover only one crane, our Board of Directors authorized this pause in recognition of the imperative need to prioritize the strategic reallocation of our resources and additional funds towards the procurement and deployment of at least three (ideally four) new ship-to-shore (STS) gantry cranes. Since then, our OAE finalized the updated project design to meet the latest engineering and safety standards.

2. Golf Pier Repairs and Improvements: The damages sustained by Typhoon Mawar rendered Golf Pier inoperable. The scope now focuses on restoring the pier, enhancing its resilience to future storms, and improving its overall operational capacity. In coordination with our OAE, we developed cost estimates for repairs and for replacement. Port is actively evaluating funding options to support the restoration of Golf Pier. Replacement would bring the Golf Pier facilities to current codes and standards, which would meet our standard of resiliency. In August 2025, Port submitted an appeal to Federal Emergency Management Agency (FEMA) requesting reinstatement of eligibility for permanent work assistance related to damages sustained during the typhoon. On Port's behalf, the Guam Recovery Office also submitted an appeal letter to FEMA.

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Management's Discussion and Analysis, continued

Capital Assets, continued

3. Waterline Replacement and Relocation: The replacement and relocation of 50-year-old waterlines shall improve water pressure and fire protection throughout the port area – meeting local building codes and the National Fire Protection Association and the U.S. Coast Guard's requirements for firefighting operations. Work on the new waterline system is 90% complete and pre-final inspections are ongoing. As of fiscal year end, delivery of the new fire hydrants has been delayed due to issues with the manufacturer. This project is funded by Port's revenue bond proceeds.
4. EQMR Building Repairs and Upgrade: Repairs and upgrades are focused on ensuring safety and functionality for the personnel working within the Equipment, Maintenance and Repair (EQMR) Building, and compliance with current standards. Included in this project are structural repairs, repainting, lead-based paint removal, electrical upgrades, and a new fire sprinkler system. As of fiscal year end, this project completed its pre-final inspections and the contractor was working on final inspection punch items. This project is funded by Port's revenue bond proceeds and a Hazard Mitigation Program Grant.
5. Warehouse 1 Repairs and Upgrades: Warehouse 1 currently houses vital sections of Port's operations, including the equipment and maintenance repair section, controlled climate storage facility, crane mechanics section, and fleet services. With extensive damage to the interior and exterior concrete, a leaking roof, mold, nonoperational fire protection system, and plumbing and electrical systems in marginal condition, repairs and upgrades are aimed at supporting operational needs and extending the facility's lifespan. As of fiscal year end, work was ongoing. This \$4.8M project will be funded by Port's revenue bond proceeds and a Hazard Mitigation Program Grant.
6. F-1 Fuel Pier Infrastructure Restoration Project: In September 2025, Port was awarded a \$4.9M federal grant under the Department of War's Defense Community Infrastructure Program (DCIP) to fund urgent structural and safety upgrades at F-1 Fuel Pier, the island's sole operational fuel import terminal. With the DCIP grant covering the majority of the funding for this \$7.0M Joint Region Marianas (F1) Pier Infrastructure Restoration Project, this grant delivers immediate, critical fixes to the only remaining fuel pier at Port. This project is in direct response to the urgent need to secure Guam's energy infrastructure following 2023's Typhoon Mawar, which left Golf Pier inoperable. With Golf Pier out of service, F1 Pier now bears the entire burden of importing and offloading vital fuels that power Guam's civilian and military operations. Its current condition represents a single point of failure that threatens both the island's economy and national security. F1 Pier serves as the primary offloading point for fuels including jet fuel, marine gas oil, high sulfur fuel oil, ultra-low sulfur diesel, and liquefied petroleum gas. These fuels are essential for the operations of Andersen Air Force Base, Naval Base Guam, Marine Corps Base Camp Blaz, the Guam Power Authority, the Guam International Airport, and numerous commercial distributors. The F1 Pier project will execute near-term structural and safety upgrades to stabilize the pier, extend its operational life, and maintain critical functionality

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Management's Discussion and Analysis, continued

Capital Assets, continued

until long-term replacement funding and construction can be secured. The proposed upgrades will eliminate immediate safety hazards, improve operational readiness, and ensure uninterrupted deliveries to both defense and civilian sectors for the next 5–10 years.

DCIP provides federal grants for infrastructure projects that directly enhance military value and operational readiness. The Department of War's investment underscores a simple fact: if the Port is not ready, the military will not be ready. Guam plays a pivotal role as a forward-operating hub in the Indo-Pacific region.

7. Wharves F-2, F-3, F-4, F-5, and F-6 Upgrades: DOT MARAD approved our no-cost scope modification to shift funding from the F-1 Fuel Pier to supplement funding for Wharves F-2 through F-6. Port had been awarded a \$17.9M Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grant to upgrade wharves F1 through F6 to support STS gantry crane operations. The upgrade will address the sheet piles and concrete cap spalling at the face of wharves F2, F3, F4, and F6. Previously estimated at \$22.4M, Port will supplement with \$4.5M. As part of the ongoing environmental assessment, we concurred with the Essential Fish Habitat (EFH) Conservation Recommendations to relocate all branching corals within the direct impact area to selected sites to minimize loss of corals and remove marine debris during construction.
8. Information Technology (IT) Enhancements and Terminal Operating System (TOS) Upgrade: Upgrading our TOS, IT infrastructure, and creating cybersecurity roadmaps will facilitate better collaboration with DOD and port users, which will enhance Port's efficiency and security. A TOS upgrade would allow for automated invoicing, cargo and container tracking, data accuracy, and facilitate electronic data sharing – all of which would improve operational efficiencies as well as financial management and system cyber security. As we continue to modernize our operations and management, enhancements are needed for our IT infrastructure backbone, network, client access, servers, wireless connections and internet protocol management functions. Our IT Division is in the process of reviewing contractor proposals for the TOS upgrade.
9. New Administration Building: Constructed over 50 years ago and with the extent of deterioration, renovating the existing Administration building was deemed cost prohibitive and would be disruptive to operations (even if completed in phases). Previously estimated at \$15M – \$20M, the previous plan to construct a new Administration building remains on hold. To address near-term concerns, Port's Engineering division developed a narrow scope of work to repair the concrete cracks and spalling in the existing Administration Building. Estimated at \$1.9M, the Administration Building repairs shall be funded by bond proceeds. PAG is in the process of advertising for bids, which shall include an option to provide the same repairs to the building currently occupied by the Guam Customs and Quarantine Agency (i.e., the "Horizon" building). Port is looking into options for funding the other building's repairs.

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Management's Discussion and Analysis, continued

Capital Assets, continued

10. F1 Pier to Golf Pier Fuel Pipeline Connectivity: Connecting a new fuel pipeline system between F-1 Fuel Pier and Golf Pier aims to improve fuel transfer capabilities and operational efficiency across the port area. Port continues to work with the F1 Pier Manager and fuel operators to determine feasible projects for a grant scope modification request, as well as with the EDA Program Manager on potential funding opportunity under EDA's Supplemental Disaster Grant Program to supplement the funding shortfall for the Fuel Pipeline Connectivity Project construction. With the architectural and engineering (A&E) design 100% complete, Port is looking to submit grant applications to EDA's FY 2025 Disaster Supplemental Industry Transformation Path to supplement funding for the actual construction of the Fuel Pipeline Connectivity.

11. Removal of Port Inoperable Assets Project: This \$2.6M project was for the demolition and proper disposal of two STS gantry cranes, two rubber-tired gantry (RTG) cranes, the Mobile Harbor Crane, and one abandoned barge. The demolition of all five cranes and barge was completed. The removal (and eventual proper disposal) of these inoperable assets will allow Port to accommodate an increase of cargoes in its terminal facilities and the additional vessels calling Port. To complete this project, Port is filing a claim with the contractor's insurance/bond company to complete proper disposal of the inoperable assets.

In July 2018, Port obtained \$76.7M in revenue bond proceeds to pay for several important capital improvement projects. However, the recent surge of inflation has severely impacted construction costs, especially for projects that received funding prior to 2021. Procurement for many of these projects resulted in submitted bids and proposals having greatly exceeded the amounts initially allocated, thus, requiring us to redirect funding from other sources to account for the shortfall. In some cases, the projects were cancelled or scaled back considerably.

Debt Administration

As of September 30, 2025, Port had \$57.9M in outstanding revenue bonds. This decrease from the \$61.0M balance as of FY 2024 is due to payments against the principal debt.

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Management's Discussion and Analysis, continued

Debt Administration, continued

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 (DSC), in thousands, for the year ended September 30 is as follows:

	<u>FY 2025</u>
Revenues ¹	\$49,710
Less Operations & Maintenance Expenses	<u>48,494</u>
Net Revenues	1,216
Plus Other Available Monies	<u>4,858</u>
Net Revenues & Other Available Monies	<u>\$ 6,074</u>
 Rate Covenant:	
Net Revenues & Other Available Monies	\$ 6,074
Total Annual Debt Service	<u>\$ 2,732</u>
 Annual Debt Service Coverage	 2.22
Required Debt Service Coverage	1.25

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

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

	<u>S&P</u>	<u>Moody's</u>
Rating	A	Baa2
Outlook	Stable	Stable

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 our outstanding series 2018 Port Revenue Bonds.

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

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Management's Discussion and Analysis, continued

Debt Administration, continued

As of October 2025, S&P maintained its outlook of Port as stable and its long-term rating on our outstanding series 2018 Port Revenue Bonds as 'A'. In S&P's view, our key credit strengths are:

- “Relatively stable container volumes given its virtual monopolistic position as the sole provider of maritime facilities and services in Guam and its strategic importance to the U.S. military;
- Coverage (S&P Global Ratings-calculated) that we expect will be maintained above 1.25x;
- Robust liquidity, with days' cash on hand exceeding 200 days the past two fiscal years, that we expect to remain so; and
- Low debt burden providing ample capacity for expected additional debt needs.”

This stable outlook reflects S&P's “expectation that port activity will remain near current levels, allowing the port to produce key financial metrics in line with its historical performance and appropriate for the rating,”

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

As of December 2025, Moody's Investors Service maintained its outlook of Port as stable and its rating on our series 2018 Port Revenue Bonds as Baa2. Though our scorecard-indicated outcome is A3 – two notches above the assigned rating of Baa2 – Moody's constrained our credit rating due to our island's exposure to weather-related events (including typhoons); linkages to the credit quality of the Government of Guam (Baa3 stable); and high customer concentration. Moody's attributed the following as our 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, of which approximately 30% is military related. [...] The Port of Guam is the only port in the Micronesia region that has the infrastructure and equipment required to service container vessels with a capacity of up to 4,000 TEUs (twenty-foot equivalent units).”
- Low Leverage – “Excluding pensions, the port's direct leverage is low and supportive of its credit profile.”
- Solid Liquidity – “The port authority's liquidity position is healthy. Fiscal 2024 financials show unrestricted cash/discretionary reserves of approximately \$50 million, representing 344 days' cash on hand. The port has held more than 300 days' cash on hand since 2016, a trend we expect will continue at least through the outlook period.”

The stable outlook reflects Moody's “expectation that planned rate increases will bolster revenues beginning in fiscal 2026, which will strengthen debt service coverage and support liquidity levels.”

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Management's Discussion and Analysis, continued

Port Modernization and Improvement

Port's 2023 Improvement Program is designed to meet the island's growth, including military realignment and expansion, and growing the tourism market. The key project initiatives were as follows:

- Replacement of 43-year-old gantry cranes to maintain continuous, uninterrupted cargo movement;
- Restoration of the fuel piers to maintain continuous, uninterrupted fuel service;
- Restoration of 50+ year-old wharves to increase vessel handling capacity and maintain continuous, uninterrupted cargo movement;
- Rehabilitation of above-ground fuel storage tanks and related infrastructure to serve as a secondary/alternate fuel depot of DOD; and
- Upgrade of the terminal operating system (TOS) to allow for automated invoicing, cargo, and container tracking, financial management, and maintenance management.

As part of the 2013 modernization program, Port obtained \$76.7M in revenue bond proceeds, in July 2018, to pay for capital improvements and refinance some of its existing debt at a lower interest rate. This was also accomplished through legislation. The capital improvement projects that were to be funded with bond proceeds include the following, and the status of which are summarized in the *Capital Assets* section:

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

The following are updates to Port's improvement initiatives:

1. Replacement of Gantry Cranes: We are in the process of acquiring at least three new STS gantry cranes to replace the 43-year-old gantry cranes currently in operation. In April 2026, the U.S. Department of Transportation Maritime Administration's Port Infrastructure Development Program (PIDP) approved approximately \$60M in federal funding for the acquisition of three new ship-to-shore gantry cranes. Acquisition of three new cranes is estimated at \$74.6M to include the required infrastructure improvements necessary to support crane installation and operations.

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Management's Discussion and Analysis, continued

Port Modernization and Improvement, continued

2. Area A Fuel Storage Facility Rehabilitation/Upgrade: A condition assessment and feasibility study for the Area A Fuel Storage Facility was completed, including a rough order of magnitude (ROM) cost estimate for the replacement or rehabilitation of the existing fuel tanks and related infrastructure. This project aims to improve fuel storage capacity and strengthen operational resilience at Port. We are evaluating implementation options, including a potential public-private partnership (PPP) approach. We intend to also pursue funding through the Guam Housing and Urban Renewal Authority (GHURA) Community Development Block Grant - Disaster Recovery (CDBG-DR) Mitigation Program to support the demolition of damaged fuel tanks at Area A. An eligibility and feasibility determination has been submitted to GHURA and the project remains in progress.
3. Welding Shop Repairs (Phases I and II): A \$392K grant from DOI Office of Insular Affairs (DOI-OIA) Maintenance Assistance Program (MAP) was awarded to supplement Port funds in a \$850K project that aims to repair the Welding Shop's exterior concrete spalling and cracks and acquire specialized welding equipment to support the maintenance of gantry cranes and other heavy-duty equipment. Commenced in January 2025, the outdoor spall repair was completed; indoor work is in progress; and an amendment is being developed to account for the additional spalling that was discovered over the course of the project.
4. Small Unmanned Aircraft System (SUAS) Program: Port secured grant funding from FEMA's Port Security Grant Program (PSGP) to acquire and deploy a SUAS, i.e., drones. Aerial surveillance of both the landside and harbor will allow our Port Police division 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.

Key Factors in FY 2025 Operating Results and FY 2026 Future Outlook

Gantry Crane Replacement

Port's crane replacement program represents the single, largest modernization investment in Port's history – essential for sustaining Guam's growing cargo volumes, supporting Indo-Pacific defense throughput, and ensuring that Port remains a reliable hub for both economic growth and national security. Our three operational STS gantry cranes require immediate replacement, having been manufactured in 1983, and operating continuously for more than four decades. Although these cranes were refurbished in 2009 and have been carefully maintained since Port assumed ownership in 2012, these cranes are beyond their intended service life. Every delay in replacing these cranes increases the risk of operational disruptions that could impact not only Guam, but also U.S. strategic interests throughout the Indo-Pacific region.

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Management's Discussion and Analysis, continued

Key Factors in FY 2025 Operating Results and FY 2026 Future Outlook, continued

Crane modernization directly supports safer and more efficient operations by reducing reliance on aging equipment. If one of the existing cranes were to experience a prolonged outage, Port operations would be significantly disrupted, jeopardizing supply chain stability, economic activity, and military readiness. A crane sensitivity analysis, performed by Port's Owner Agent Engineer, demonstrated the following impacts should our aging cranes become inoperable. Currently, the three existing cranes are capable of handling approximately 192,000 container lifts annually, or approximately 64,000 lifts per crane per year.

- If all three STS cranes remain operational and are replaced before reaching failure, there is no impact on the military buildup cargo demand because berth throughput capacity exceeds forecasted demand.
- If one STS crane is out of service for an extended period, berth throughput capacity would decline to approximately 128,000 containers annually, resulting in an estimated annual deficit of 60,000 containers and potentially delaying military construction and readiness initiatives by as much as four years.
- If two STS cranes are out of service for an extended period, berth throughput capacity would decline to approximately 64,000 containers annually, which is below Port's organic cargo demand and insufficient to support military buildup requirements.

When we experienced the simultaneous downtime of all three gantry cranes, it served as a stark reminder of the vulnerabilities associated with aging cargo-handling infrastructure. As a strategic asset in the national supply chain and a designated strategic port, the port of Guam plays an essential role in supporting military readiness, economic stability, and emergency response operations throughout the region. We remain committed to working closely with DOD, federal agencies, and industry stakeholders to ensure that Guam's maritime infrastructure remains resilient and capable of meeting future operational demands.

Since 2019, we have aggressively pursued every available opportunity to secure funding and approvals for crane replacement. Our efforts included participation in national forums, direct engagement with federal partners, and multiple grant applications, including the following:

- Applications to the U.S. Economic Development Administration (2019), USDOT MEGA Program (2022), USDOT INFRA Program (2023), and the OLDCC Defense Community Infrastructure Program (2024) – all of which were unsuccessful largely due to Build America, Buy America Act (BABAA) requirements and the absence of waiver authority at the time.
- In April 2024, our Board of Directors authorized management to temporarily defer Hotel Wharf construction to prioritize resources toward the acquisition of up to three new ship-to-shore gantry cranes.
- In October 2024, the Board approved a multiphase procurement strategy, in coordination with legal counsel, to ensure a compliant and strategic acquisition process.

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Management's Discussion and Analysis, continued

Key Factors in FY 2025 Operating Results and FY 2026 Future Outlook, continued

- In February 2025, MARAD approved a Build America, Buy America waiver for gantry cranes in U.S. Pacific territories – removing a significant barrier to procurement.
- In September 2025, Port submitted an application to MARAD's Port Infrastructure Development Program (PIDP) requesting federal funding for the acquisition of three new STS gantry cranes and related infrastructure improvements necessary to support crane installation and operations.
- In April 2026, the U.S. Department of Transportation Maritime Administration approved approximately \$60M in federal funding for the acquisition of three new ship-to-shore gantry cranes. This award represents one of the largest federal infrastructure investments in Port history and marks a transformational milestone in Port's modernization efforts. The new cranes will significantly improve cargo handling efficiency, reliability, safety, and operational resilience while supporting Guam's role as the primary commercial gateway for Guam and Micronesia and as a strategic logistics hub for U.S. military operations in the Indo-Pacific region.

As the primary gateway to the Indo-Pacific, the Port of Guam remains vital to U.S. military power projection, regional commerce, and contingency response capabilities. Federal investment in replacing gantry cranes strengthens Guam's supply chain resiliency, supports future economic and military growth, and substantially reduces the operational risks associated with aging equipment. The award validates years of planning, engineering analysis, stakeholder collaboration, and advocacy, and positions Port to continue serving as a critical component of both the regional economy and national security infrastructure for decades to come.

Bond Borrowing

Port's Board of Directors recognizes that the scope and cost of the gantry crane acquisition, wharf and pier rehabilitation, and other critical infrastructure upgrades exceed Port's capacity to finance independently, and that bond borrowing is intended solely to generate sufficient funds to meet matching grant requirements in order to maximize federal investments in these projects. As such, the Board passed a resolution affirming its continued support for bond financing (borrowing) to provide the necessary matching funds to support federal grants and ensure that Guam leverages every available federal resource to undertake the following critical infrastructure upgrades: (1) acquire up to three gantry cranes, (2) rehabilitate wharves and piers with the required upgrades for crane installation, and (3) finance other critical infrastructure facilities; as well as to pay off the existing 2018 Series Revenue Bonds.

The 2018 bond indenture set up for the 2018 Series Revenue Bonds excluded key recurring revenue sources from the current debt service coverage ratio (DSCR) formula, i.e., crane surcharges, facility maintenance fees, and marina revenues. This created an artificially narrow benchmark that placed structural limits on how Port's financial capacity is measured. While Port has met the required 1.25 DSCR every year since the first payment, the impact of excluding those revenue sources finally reached a point in FY 2025 where action was required. To manage this imbalance and maintain compliance, Port executed a \$3.0M cash defeasance, in June 2025, to reduce the amount of debt used in the FY 2025 coverage calculation.

Port Authority of Guam
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Management's Discussion and Analysis, continued

Key Factors in FY 2025 Operating Results and FY 2026 Future Outlook, continued

Guam's Critical Role in Indo-Pacific Logistics

In September 2025, Port management served as a panelist, alongside military, government, and industry leaders, at the 2025 Guam Defense Forum. As Guam's only commercial seaport and an entry point for more than 90% of the island's goods, this forum provided an invaluable opportunity to collaborate with our partners to ensure Guam's port infrastructure remains strong, resilient, and ready to meet the challenges of today and tomorrow. With Guam is at the center of critical conversations, the Guam Defense Forum provided a venue in which to ensure those conversations (on shaping the future of security in the Indo-Pacific) reflect the priorities and values of our people.

In the panel discussion "Strengthening Guam's Defense Supply Chain and Logistics Ecosystem," alongside senior leaders from the Department of Defense, the shipping industry, and the Guam Airport Authority, Port management examined Guam's role as a logistics hub for both military and civilian needs, emphasizing the importance of supply chain resilience, port modernization, secure sourcing of critical materials, and public-private partnerships. Panelists included the Commander of Defense Logistics Agency Pacific and the Acting Deputy Assistant Secretary of Defense for Defense Continuity and Mission Assurance.

Port's participation in the Guam Defense Forum reaffirmed its commitment to supporting both Guam's civilian economy and the nation's defense strategy, ensuring the island remains a reliable partner and a resilient hub in the Indo-Pacific region.

Port Testimony in Support of Bill to Strengthen Guam's Port Security

Port management submitted testimony to the Guam Legislature in strong support of Bill No. 183-38 (COR), to give the Guam Customs and Quarantine Agency (CQA) additional time to finalize the design and secure funding for a long-planned Customs Satellite Inspection Facility located at Port. Under the proposed bill, CQA would have two additional years, until July 2026, to complete planning and move forward with construction. Our seaport is the entry point for nearly all cargo arriving in Guam and throughout Micronesia. First authorized under Public Law 34-112 in 2018, this critical facility will ensure that CQA has the infrastructure needed to inspect and secure cargo, intercept contraband, and safeguard our community before threats reach our shores.

We have been a committed partner from the beginning, working closely with CQA to identify and secure the four-acre site for the facility on Port property. Port also incorporated this project into its Master Plan and leveraged a grant from the Office of Local Defense Community Cooperation (OLDCC) to fund initial planning and design. Port plays a vital role in ensuring the secure flow of goods throughout the region. By centralizing inspections and isolating potential threats, the new facility will enhance public safety, prevent dangerous drugs and contraband from entering Guam, and reinforce the readiness of the U.S. military and supply chains.

Port Authority of Guam
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Management's Discussion and Analysis, continued

Key Factors in FY 2025 Operating Results and FY 2026 Future Outlook, continued

Tariff Petition Filed to Update Labor Charges from 2020 to 2025

In July 2025, we filed a petition with the Guam Public Utilities Commission (PUC), PUC Port Docket 25-03, to correct outdated billing rates tied specifically to vessel operations. The proposed correction applies to only labor and equipment services tied to vessel operations that Port already performs. The proposed rates are based on the average of the lowest and highest pay levels within each job classification, along with administrative surcharges already authorized in the tariff. The existing tariff structure was last adjusted in October 2020. Since that time, Guam has experienced sustained inflation, rising labor and equipment costs, and declining cargo throughput conditions that collectively triggered mandatory review provisions established under prior PUC guidance.

Our petition does not raise wharfage, fuel surcharges, facility maintenance fees, lease rates, or crane charges. It is narrowly focused on vessel labor and equipment billing using 2025 cost data. Included in PUC Port Docket 25-03 are sworn management testimony, independent consultant analysis, extensive stakeholder outreach, and formal Board approval – demonstrating necessity and transparency. The summary finding of PUC's consultant indicated that the effect on consumer prices is minimal, amounting to only fractions of a cent on staple goods.

As required by PUC, we held three community hearings, in January 2026, to receive public input on our tariff petition. We await the administrative law judge's (ALJ) final report and the scheduling of PUC's final review decision.

Lease Rate Updates

In July 2025, Port adopted a new lease rate schedule based on our appraisal consultant's final lease rate valuations for open space, office, warehouse, telecommunications, and the trucker's lot and Public Law 30-19. According to public law, Port shall conduct valuation assessments of Port real properties and other related facilities every three years. The same public law authorizes Port to set lease rates at a 10% increase over the previously charged rate or at the amount determined by the recent valuation assessment – whichever is greater. The new lease rates are projected to increase annual lease revenue by approximately 20%.

Lease Offsets Tied to Infrastructure Improvements

In May 2025, Port locked in a four-year lease agreement with a private construction company for the use of both Hotel Wharf and the lot formerly occupied by another construction company. Valued at \$10.6M, this lease covers more than 374,000 square feet of Port property. This private construction company leased several properties from Port to carry out critical work tied to repairs at the Glass Breakwater, which sustained significant damage during Typhoon Mawar in 2023. Constructed in the 1940s by the Navy Seabees, Glass Breakwater serves as a vital barrier protecting Apra Harbor and the Port of Guam from strong waves and storm surges.

Port Authority of Guam
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Management's Discussion and Analysis, continued

Key Factors in FY 2025 Operating Results and FY 2026 Future Outlook, continued

Lease Offsets Tied to Infrastructure Improvements, continued

As this private construction company carries out the \$571M Glass Breakwater contract for the U.S. Navy Naval Facilities Engineering Systems Command (NAVFAC) Marianas, it has completed various infrastructure improvements at the leased Port sites and in related areas, accumulating to a value of \$6M. These improvements include stabilization/ resurfacing of project zones at Hotel Wharf, roadway improvements near and leading into Family Beach, drainage enhancements, construction of public restroom and shower facilities at Family Beach, solar lighting installations at the Hagåt and Hagåtña Marinas, and installation of on-site project offices. Additional upgrades will include construction of warehouse and office facilities, installation of concrete slabs, and utility infrastructure improvements.

In accordance with Public Law 38-26 and Port Board Resolution 2025-22, our Board of Directors authorized a lease credit arrangement to approve lease payment offsets tied to infrastructure improvements that deliver public benefit and align with Port priorities – subject to Board oversight, cost documentation, and compliance verification.

Port and U.S. Navy Partner to Remove Derelict Vessel

In September 2025, Port and the U.S. Navy successfully removed a derelict vessel from the Piti Channel through the Navy's Innovative Readiness Training (IRT) program. Originally docked at F6, the derelict vessel broke loose and ran aground during 2023's Typhoon Mawar. A Navy salvage ship successfully towed the vessel back to F6. Currently, the Navy Salvage Team and Port personnel are working together to clean the vessel. Once the cleaning process is completed, the Guam Environmental Protection Agency (EPA), U.S. EPA, and U.S. Coast Guard will inspect the vessel to determine if it is environmentally safe to be tugged into open waters and allowed to sink naturally.

The Navy's IRT program is a DOD initiative designed to provide military personnel with real-world, hands-on training in fields such as construction, healthcare, and logistics. By working hand-in-hand with the U.S. Navy, we helped provide valuable training for military personnel and addressed a significant environmental and navigational concern for our Port and island community. This partnership reflects our ongoing commitment to protecting Guam's waterways and ensuring the safety of all who depend on them.

Port Authority of Guam
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Management's Discussion and Analysis, continued

Key Factors in FY 2025 Operating Results and FY 2026 Future Outlook, continued

Federal Grants and Grant Opportunities

Our management worked closely with the Planning division and respective division heads on the following federal grants:

1. MARAD America's Marine Highway Grant (FY 2022): We were awarded a \$5.7M grant from DOT MARAD's 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. We had since received three 10-ton capacity side-loaders and two 40-ton capacity top-loaders. In FY 2025, we received a 180-foot telescopic boom lift, nine container yard tractors, two refrigerated container (reefer) generators, and five 5.5-ton forklifts. Valued at \$8.5M, acquisition of this new equipment was supplemented with Port funds. We submitted a reprogram request to purchase additional equipment with excess funds from the FY 2022 grant.

Port's eligibility for this grant funding was made possible when MARAD officially designated the "Guam and the Commonwealth of the Northern Mariana Islands Route" (M-GNM1) under the AMHP in August 2021.

2. MARAD America's Marine Highway Grant (FY 2025): With the success of the \$5.7M grant from the FY 2022 cycle, we will be submitting a project proposal for the acquisition of specialized cargo handling equipment that will directly enhance the operational capacity and efficiency in support of the Marine Highway Route M-GNM1.
3. USDHS/FEMA Port Security Grant Program In September 2025, we were awarded \$987K in federal funding (with a \$129K local match) under the FY 2025 FEMA Port Security Grant Program to deliver near-term security upgrades to strengthen Port's perimeter and harden our cyber backbone to safeguard people, cargo, and critical missions. Prioritizing physical security, funding will install a new security barrier system at Main Gate 1 to prevent unauthorized vehicle access to restricted terminal facilities. In the event of an intended breach, the barriers are designed to stop penetration of the restricted area and reduce the risk of injury to personnel and damage to property. The grant also provides a modular floating dock system with gangway and sinkers/anchors to enhance Port Police prevention, protection, response, and recovery missions for Port and Guam in collaboration with U.S. Coast Guard Sector Guam.

Additionally, the grant provides for the implementation of a core platform that improves user and resource security, centralizes management of network and user resources, and enables integration and scalability; replaces the aging firewall with a redundant one; and provides subscription to 24/7/365 Intrusion Detection System monitoring by the Center for Internet Security (CIS). Designated by DHS, CIS supports state, local, tribal, and territorial entities with cyber threat prevention, protection, response, and recovery services.

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Management's Discussion and Analysis, continued

Key Factors in FY 2025 Operating Results and FY 2026 Future Outlook, continued

Federal Grants and Grant Opportunities, continued

4. U.S. Fish and Wildlife Service, via Guam DOAg: In October 2024, we received \$275K under the Sport Fishing and Boating Safety Act for the Preconstruction Planning Grant for a gangway and courtesy dock at the Harbor of Refuge. Additionally, we were awarded \$120K for the Agat Marina Southern Walkway Repairs under the Sport Fish Restoration. We stand ready to review and proceed once the draft Memorandum of Understanding (MOU) is received by DOAg.

5. U.S. Department of Commerce National Telecommunications and Information Administration Digital Equity Competitive Grant Program: We submitted a grant application under the U.S. Department of Commerce National Telecommunications and Information Administration (NTIA) Digital Equity Competitive Grant Program requesting approximately \$12M. Our proposal includes broadband services to five surrounding communities, digital access and education hubs at the Hagåtña and Hagåt Marinas, and upgrades to Port's Terminal Operating System (TOS). Port was not awarded funding for, in May 2025, NTIA announced the termination of the Digital Equity Act grant programs.

Port Master Plan Update

In July 2025, the Port 2023 Master Plan was renamed the 2025 Master Plan and integrated with the zero-emission and zero-waste sustainability goals. In February 2026, the 2025 Master Plan was transmitted to the Bureau of Statistics & Plans (BSP) for review. The Master Plan remains 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.

We continue to support BSP as they move forward with the public hearing, scheduled for March 2026, then final adoption. Upon completion, BSP will forward its recommendation of the 2025 Master Plan to the Governor of Guam for ultimate submission to the Guam Legislature. A copy of the 2025 Master Plan has been provided to a U.S. Navy Rear Admiral for review and approval.

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. The Port Sustainability Plan places strong emphasis on ensuring the protection of the environment and actively contributing to the well-being of the community while working towards a more sustainable future for all stakeholders.

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Management's Discussion and Analysis, continued

Key Factors in FY 2025 Operating Results and FY 2026 Future Outlook, continued

Port Sustainability, continued

The Board formally adopted the zero-emission and zero-waste (ZEZW) resiliency and sustainability goals, developed by our OAE, which shall be integrated into the 2023 Master Plan. Port is dedicated to fostering a culture of environmental responsibility through community engagement and reinforcing a shared vision for a cleaner and more sustainable Guam.

Sustainability initiatives include the following:

- A U.S. Environmental Protection Agency (USEPA) Diesel Emissions Reduction Act (DERA) Program grant was secured to reduce our cargo-handling emissions with Tier-4 ultra-low sulfur diesel (ULSD) terminal yard tractors and Tier-3 ULSD top lifters. Tier-4 engines are required to run off of ULSD, which contains only 15 parts per million of sulfur – a USEPA diesel standard. According to USEPA, diesel standards collectively reduce harmful sulfur emissions from both on-road and nonroad diesel sources by more than 90%. In April 2025, we received two new Tier-4 ULSD terminal yard tractors. With this latest delivery, Port has successfully added a total of six low-emission Tier-4 tractors to its fleet under the DERA program.
- A USEPA Clean Ports Program grant was awarded in October 2024 for \$2.4M under the Climate and Air Quality Planning Competition. Our grant proposal was one of only 55 projects from 27 states and territories selected for zero-emission equipment and climate planning, to reduce emissions, strengthen climate resilience, and improve air quality for the community. In October 2025, we hosted the Maritime Resilience and Innovation Summit, attended by government leaders, maritime experts, and regional stakeholders. We are progressing in our Net Zero Emissions Strategy Update and Implementation Plan project and currently developing the Quality Assurance Project Plan.
- Under the USEPA Environmental and Climate Justice Community Change Grants Program / IRA Community Change Grants Program, Port was selected as a Collaborating Entity to lead applicant, Community First Guam Federal Credit Union (CFGFCU). CFGFCU selected three of the four projects Port proposed to include in its application submission to USEPA. As a collaborator, we would assist in environmental and climate justice through (1) the installation of a solar photovoltaic (PV) system and batteries project, (2) a microgrid feasibility study project, and (3) the Route 11 seawall improvement project. We await notification from the lead applicant.
- A Clean Vessel Act (CVA) Assessment Grant was awarded to Port, as a subrecipient, to the Guam Department of Agriculture's (DOAg) Division of Aquatic and Wildlife Resources (DAWR). This \$385K grant will support an evaluation of the most appropriate CVA service (shore-based or pumpout vessel) for Agat Marina, Gregorio D. Perez Marina, and the Harbor of Refuge, considering varying waste volumes, boat access needs, and system infrastructure. We stand ready to review and proceed once the draft Memorandum of Understanding (MOU) is received by DOAg.

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Management’s Discussion and Analysis, continued

Key Factors in FY 2025 Operating Results and FY 2026 Future Outlook, continued

Port Sustainability, continued

- Through the 2024 National Oceanic and Atmospheric Administration (NOAA) Marine Debris Program and the BoatUS Foundation Abandoned and Derelict Vessel (ADV) Removal Grant Program, we submitted an application in November 2024. This grant would support the PAG Harbor Restoration and Resilience Initiative (PAGHRR) Project, which includes the removal of thirteen (13) abandoned and/or sunken vessels from PAG properties. Estimated at \$860K, we are working with the Boat US Foundation to address and finalize all grant award documentation. Then, we shall finalize the scope and move forward with the procurement process.
- Through DOT’s Federal Highway Administration (FHWA) Low-Carbon Transportation Materials Program (LCTM), Port submitted its application in November 2024. Our \$7.2M proposal aims to identify and test locally sourced, low-carbon recycled waste materials to assess their suitability for use in eligible Federal-aid projects, including integration into future transportation plans or updates for Guam. FHWA is still reviewing applications.

Our dedication to environmental stewardship correspondingly enhances our qualifications for funding from the USEPA Inflation Reduction Act (IRA) and other grant programs – which are crucial to accessing funds that will also modernize Port operations.

Accountability Reporting

Our efforts to remain transparent and accountable with the people of Guam have been recognized at both the national and local chapter of AGA. The citizen-centric report (CCR) was created by the National AGA to simplify government financial information in order to help citizens better understand the services provided by their government and at what cost. A Guam public law later mandated that a CCR is due from every government entity no later than 60 calendar days after the release of each fiscal year’s independent financial audit report.

On a national level, our CCR has earned AGA’s “Certificate of Excellence in Citizen-Centric Reporting” for four fiscal years – for 2019, 2021, 2022, and 2023. On a local level, our CCR has earned the AGA Guam Chapter’s “Excellence in Citizen-Centric Reporting” award for four fiscal years – 2019, 2021, 2022, and 2023. Such achievements highlight our dedication to accountability and transparency.

Issued in September 2025, the Office of Public Accountability’s Report 25-09 confirmed that Port has no outstanding audit recommendations. Prior recommendations have all been closed, and the single open item from the Autonomous Agency Collections Fund audit is not directed at Port. This reflects our full compliance with OPA recommendations and our continued commitment to accountability and sound internal controls.

Port Authority of Guam
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Management's Discussion and Analysis, continued

Contacting 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
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Statements of Net Position

	September 30,	
	<u>2025</u>	<u>2024</u>
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 32,590,338	\$ 26,325,586
Cash and cash equivalents - restricted expendable	<u>48,696,029</u>	<u>56,888,261</u>
Total cash and cash equivalents	81,286,367	83,213,847
Accounts receivable, net of allowance for doubtful accounts of \$304,958	13,418,259	10,685,477
Lease receivable	3,511,931	1,118,837
Federal receivables	1,171,098	2,545,705
Prepaid and other current assets	<u>347,580</u>	<u>420,366</u>
Total current assets	99,735,235	97,984,232
Cash and cash equivalents - restricted expendable	40,815,911	42,703,379
Replacement parts inventories, net of allowance for obsolescence of \$247,765 (\$181,994 in 2024)	1,189,198	986,415
Lease receivable, net of current portion	43,633,092	35,662,507
Lease asset, net	146,336	221,343
Depreciable capital assets, net	100,511,976	99,644,588
Nondepreciable capital assets	<u>31,479,488</u>	<u>27,336,082</u>
Total assets	<u>317,511,236</u>	<u>304,538,546</u>
Deferred outflows of resources from pension	10,221,422	16,845,496
Deferred outflows of resources from other post-employment benefits	<u>21,400,277</u>	<u>25,686,219</u>
Total deferred outflows of resources	<u>31,621,699</u>	<u>42,531,715</u>
Total assets and deferred outflows of resources	<u>\$349,132,935</u>	<u>\$347,070,261</u>

See accompanying notes.

Port Authority of Guam
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Statements of Net Position, continued

	September 30, <u>2025</u>	2024 <u>2024</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Current portion of long-term debt	\$ 3,085,000	\$ 2,955,000
Accounts payable, trade and others	3,134,176	4,042,600
Security deposits and other payables	657,256	379,492
Accrued payroll and withholdings	731,934	630,414
Current portion of accrued annual leave	1,810,741	1,778,045
Unearned revenue	<u>194,162</u>	<u>228,695</u>
Total current liabilities	9,613,269	10,014,246
Long-term debt, net of current portion	54,772,797	58,065,190
Net pension liability	56,760,377	69,669,348
Total collective other post-employment benefits liability	86,363,094	108,084,468
Compensated absences, net of current portion	1,465,080	1,379,592
Lease liabilities	<u>154,923</u>	<u>228,319</u>
Total liabilities	<u>209,129,540</u>	<u>247,441,163</u>
Deferred inflows of resources from leases	46,046,028	35,966,578
Deferred inflows of resources from pension	7,773,051	4,076,146
Deferred inflows of resources from other post-employment benefits	<u>45,297,758</u>	<u>25,274,787</u>
Total deferred inflows of resources	<u>99,116,837</u>	<u>65,317,511</u>
Net position:		
Net investment in capital assets	<u>120,433,650</u>	<u>116,222,937</u>
Restricted for:		
Debt service	33,136,702	39,484,304
Capital activities	10,147,052	9,251,542
Port operations	<u>74,539</u>	<u>814,680</u>
Total restricted – expendable	<u>43,358,293</u>	<u>49,550,526</u>
Unrestricted	<u>(122,905,385)</u>	<u>(131,461,876)</u>
Total net position	<u>40,886,558</u>	<u>34,311,587</u>
Total liabilities, deferred inflows of resources and net position	<u>\$349,132,935</u>	<u>\$347,070,261</u>

See accompanying notes.

Port Authority of Guam
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Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2025</u>	<u>2024</u>
Operating revenues:		
Cargo throughput charges	\$34,899,706	\$36,034,811
Equipment and space rental	10,865,596	10,063,590
Crane surcharge	5,722,973	5,942,844
Wharfage charges	5,964,751	6,316,966
Special services	155,271	118,400
Other operating income	<u>85,163</u>	<u>190,539</u>
Total operating revenues	<u>57,693,460</u>	<u>58,667,150</u>
Operating expenses:		
Management and administration	17,347,605	19,063,548
Depreciation	7,556,403	6,974,319
Retiree healthcare and other benefits	6,549,945	8,604,212
Insurance	5,563,203	4,936,673
Transportation services	5,462,882	6,170,584
Equipment maintenance	5,378,142	7,019,342
Stevedoring services	4,347,765	4,928,548
Terminal services	3,759,777	3,944,903
General expenses	2,645,930	2,722,065
Facility maintenance	2,301,070	2,518,296
Utilities	<u>1,982,118</u>	<u>1,948,123</u>
Total operating expenses	<u>62,894,840</u>	<u>68,830,613</u>
Loss from operations	<u>(5,201,380)</u>	<u>(10,163,463)</u>
Nonoperating revenues (expenses):		
U.S. Government grants	1,516,587	4,585,594
Interest income, net	2,657,641	3,392,625
Other income, net	4,894,640	5,025,490
Loss on disposal of property, plant and equipment	<u>(31,605)</u>	<u>(67,210)</u>
Total nonoperating revenues, net	<u>9,037,263</u>	<u>12,936,499</u>
Income before capital contributions	3,835,883	2,773,036
Contributed capital:		
U.S. Government capital grants	<u>2,739,088</u>	<u>562,886</u>
Increase in net position	6,574,971	3,335,922
Net position at beginning of year	<u>34,311,587</u>	<u>30,975,665</u>
Net position at end of year	<u>\$40,886,558</u>	<u>\$34,311,587</u>

See accompanying notes.

Port Authority of Guam
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Statements of Cash Flows

	Year ended September 30,	
	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from customers	\$ 55,379,019	\$ 58,090,257
Cash payments to suppliers for goods and services	(20,072,639)	(19,227,068)
Cash payments to employees for services and benefits	(35,886,744)	(34,728,257)
Net cash (used in) provided by operating activities	(<u>580,364</u>)	<u>4,134,932</u>
Cash flows from investing activity - interest received	<u>4,559,429</u>	<u>5,415,535</u>
Cash flows from capital and related financing activities:		
Capital grants received	2,739,088	562,886
Repayment of long-term debt	(2,955,000)	(2,820,000)
Interest paid	(2,765,133)	(2,900,892)
Purchase of property, plant and equipment	(12,598,802)	(12,437,999)
Net cash used in capital and related financing activities	(<u>15,579,847</u>)	(<u>17,596,005</u>)
Cash flows from non-capital related financing activities:		
Operating grants received	2,891,194	4,810,012
Other non-capital activities	<u>4,894,640</u>	<u>5,025,490</u>
Cash provided by non-capital related financing activities	<u>7,785,834</u>	<u>9,835,502</u>
Net (decrease) increase in cash and cash equivalents	(3,814,948)	1,789,964
Cash and cash equivalents at beginning of year	<u>125,917,226</u>	<u>124,127,262</u>
Cash and cash equivalents at end of year	<u>\$122,102,278</u>	<u>\$125,917,226</u>
Reconciliation to statement of net position:		
Cash and cash equivalents - current	\$ 32,590,338	\$ 26,325,586
Cash and cash equivalents - restricted current	48,696,029	56,888,261
Cash and cash equivalents - restricted non-current	<u>40,815,911</u>	<u>42,703,379</u>
	<u>\$122,102,278</u>	<u>\$125,917,226</u>

See accompanying notes.

Port Authority of Guam
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Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2025</u>	<u>2024</u>
Reconciliation of loss from operations to net cash provided by (used in) operating activities:		
Loss from operations	\$(5,201,380)	\$(10,163,463)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:		
Noncash pension expenses	5,611,554	11,237,239
Depreciation	7,556,403	6,974,319
Noncash other post-employment benefit costs	6,092,199	7,823,102
Lease amortization	447,490	386,256
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,732,782)	(1,009,913)
Prepaid and other current assets	(1,370)	10,298
Replacement parts inventories, net	(202,783)	19,238
Accounts payable, trade and others	(908,424)	(47,557)
Security deposits and other payables	277,764	80,087
Accrued payroll and withholdings	101,520	148,123
Compensated absences	118,184	(1,029,608)
Unearned revenue	(34,533)	41,380
Net pension liability	(8,199,546)	(7,689,212)
Total collective other post-employment benefits liability	<u>(3,504,660)</u>	<u>(2,645,357)</u>
Net cash (used in) provided by operating activities	\$ <u>(580,364)</u>	\$ <u>4,134,932</u>

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2025 and 2024

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.

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

Notes to Financial Statements, continued

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, 2025 and 2024 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, 2025 and 2024 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, 2025 and 2024 receivables that are more than thirty days past due totaled \$1,629,009 and \$832,411, respectively. 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 revenues in the period the Authority deems the accounts to be uncollectible.

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

Notes to Financial Statements, continued

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.

Capital Assets 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 full unused balance is considered a liability under GASB 101 as employees have earned the right to payment.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Compensated Absences , continued

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. Sick leave that does not vest and is not paid out is measured based on expected usage and payout probabilities.

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.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Other Post-Employment Benefits (OPEB), continued

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.

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 years ended September 30, 2025 and 2024.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

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 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. The adoption of GASB Statement No. 101 requires retrospective application. The implementation of this Statement did not have a material effect on the accompanying financial statements.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The adoption of this statement does not have material effect on the financial statements.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. GASB Statement No. 103 will be effective for fiscal years ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for fiscal years ending September 30, 2026.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

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

Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed.

This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. GASB Statement No. 105 will be effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter.

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

2. Deposits

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.

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

Notes to Financial Statements, continued

2. Deposits, continued

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, 2025 and 2024, the carrying amount of the Authority's cash and cash equivalents totaled \$122,102,278 and \$125,917,226, and the corresponding bank balance was \$122,349,237 and \$126,063,373, respectively. Of that bank balance, \$27,319,436 and \$6,565,805 were uninsured and uncollateralized, respectively as of September 30, 2025 and 2024.

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

	<u>2025</u>	<u>2024</u>
Current restricted:		
2018 Bond Indenture Funds		
Working capital reserve fund	\$ ---	\$ 6,389,071
Debt service fund	3,668,977	1,438,402
Revenue fund	1,857,609	4,812,297
Capital improvement fund	11,662,189	11,191,162
Operations and maintenance fund	294,952	396
Renewal and replacement reserve fund	3,900,000	3,900,000
Operations and maintenance reserve fund	11,752,976	11,752,976
Bond reserve fund	5,337,736	7,337,736
Crane reserve sinking fund	<u>5,630,783</u>	<u>---</u>
	<u>44,105,222</u>	<u>46,822,040</u>
PUC Restricted Funds:		
Crane replacement sinking fund	4,516,268	9,251,542
Facility maintenance fund	<u>74,539</u>	<u>814,679</u>
	<u>4,590,807</u>	<u>10,066,221</u>
Total restricted cash and cash equivalents - current	48,696,029	56,888,261
Noncurrent restricted:		
2018 Bond Indenture Fund - Construction fund	<u>40,815,911</u>	<u>42,703,379</u>
	<u>\$89,511,940</u>	<u>\$99,591,640</u>

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

Notes to Financial Statements, continued

3. Capital Assets

A summary of changes in capital assets for the years ended September 30, 2025 and 2024 is as follows:

	Beginning Balance <u>October 1, 2024</u>	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2025
Depreciable:				
Buildings	\$149,481,519	\$2,840,644	\$ ---	\$152,322,163
Equipment	<u>47,364,136</u>	<u>5,588,557</u>	<u>(1,222,615)</u>	<u>51,730,078</u>
	196,845,655	8,429,201	(1,222,615)	204,052,241
Less accumulated depreciation	<u>(97,201,067)</u>	<u>(7,556,403)</u>	<u>1,217,205</u>	<u>(103,540,265)</u>
	<u>99,644,588</u>	<u>872,798</u>	<u>(5,410)</u>	<u>100,511,976</u>
Non-depreciable:				
Land	3,563,000	---	---	3,563,000
Construction work-in-progress	<u>23,773,082</u>	<u>8,228,216</u>	<u>(4,084,810)</u>	<u>27,916,488</u>
	<u>27,336,082</u>	<u>8,228,216</u>	<u>(4,084,810)</u>	<u>31,479,488</u>
Lease assets - Equipment	365,255	---	---	365,255
Less accumulated amortization	<u>(143,912)</u>	<u>(75,007)</u>	<u>---</u>	<u>(218,919)</u>
	<u>221,343</u>	<u>(75,007)</u>	<u>---</u>	<u>146,336</u>
Total	<u>\$127,202,013</u>	<u>\$9,026,007</u>	<u>\$(4,090,220)</u>	<u>\$132,137,800</u>

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

Notes to Financial Statements, continued

3. Capital Assets, continued

	Beginning Balance <u>October 1, 2023</u>	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2024
Depreciable:				
Buildings	\$145,356,094	\$ 5,442,699	\$(1,317,274)	\$149,481,519
Equipment	<u>37,733,693</u>	<u>10,334,574</u>	<u>(704,131)</u>	<u>47,364,136</u>
	183,089,787	15,777,273	(2,021,405)	196,845,655
Less accumulated depreciation	<u>(91,260,035)</u>	<u>(6,974,318)</u>	<u>1,033,286</u>	<u>(97,201,067)</u>
	<u>91,829,752</u>	<u>8,802,955</u>	<u>(988,119)</u>	<u>99,644,588</u>
Non-depreciable:				
Land	3,563,000	---	---	3,563,000
Construction work-in-progress	<u>26,191,448</u>	<u>9,823,066</u>	<u>(12,241,432)</u>	<u>23,773,082</u>
	<u>29,754,448</u>	<u>9,823,066</u>	<u>(12,241,432)</u>	<u>27,336,082</u>
Lease assets - Equipment	344,533	20,722	---	365,255
Less accumulated amortization	<u>(68,906)</u>	<u>(75,006)</u>	---	<u>(143,912)</u>
	<u>275,627</u>	<u>(54,284)</u>	---	<u>221,343</u>
Total	<u>\$121,859,827</u>	<u>\$18,571,737</u>	<u>\$(13,229,551)</u>	<u>\$127,202,013</u>

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).

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

Notes to Financial Statements, continued

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 the total amount of \$2,500, paid as \$2,300 along with a separate additional payment of \$200. 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.

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

Notes to Financial Statements, continued

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 $\frac{1}{2}$ 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 30.77% and 29.43% for the years ended September 30, 2025 and 2024, respectively. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2025 and 2024.

The Authority's contributions to the DB Plan for the years ended September 30, 2025 and 2024 were \$5,284,731 and \$4,695,222, respectively, 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, 2025 and 2024 were \$1,145,740 and \$1,094,404, respectively, 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.

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Notes to Financial Statements, continued

4. Pensions, continued

A. General Information About the Pension Plans, continued

Statutory employer contributions for the DCRS plan for the years ended September 30, 2025 and 2024 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 years ended September 30, 2025 and 2024 were \$2,159,876 and \$2,361,839, respectively, which was equal to the required contributions for the respective years then ended. Of these amounts, \$1,724,672 and \$1,864,272 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2025 and 2024, respectively.

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

Net pension liability at the fiscal years presented for the aforementioned plans was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2025	September 30, 2024
Measurement Date:	September 30, 2024	September 30, 2023
Valuation Date:	September 30, 2023	September 30, 2022

Pension Liability: At September 30, 2025 and 2024, the Authority reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2025 and 2024, respectively, which is comprised of the following:

	<u>2025</u>	<u>2024</u>
Defined Benefit Plan	\$41,300,281	\$55,171,590
Ad Hoc COLA/supplemental annuity Plan for DB retirees	12,317,606	10,852,390
Ad Hoc COLA Plan for DCRS retirees	<u>3,142,490</u>	<u>3,645,368</u>
	<u>\$56,760,377</u>	<u>\$69,669,348</u>

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, 2025 and 2024, the Authority's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2025</u>	<u>2024</u>
Defined Benefit Plan	3.92%	3.95%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	4.04%	4.04%
Ad Hoc COLA Plan for DCRS retirees	4.40%	4.65%

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Notes to Financial Statements, continued

4. Pensions, continued

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

Pension Expense: For the years ended September 30, 2025 and 2024, the Authority recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2025</u>	<u>2024</u>
Defined Benefit Plan	\$5,035,091	\$9,565,682
Ad Hoc COLA/supplemental annuity Plan for DB retirees	908,499	1,000,801
Ad Hoc COLA Plan for DCRS retirees	<u>(332,036)</u>	<u>670,756</u>
	<u>\$5,611,554</u>	<u>\$11,237,239</u>

Deferred Outflows and Inflows of Resources: At September 30, 2025 and 2024, the Authority reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025					
	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	\$ 55,412	\$ 308,107	\$ 595,938	\$ 208,609	\$ 328,952	\$ 36,330
Net difference between projected and actual earnings on pension plan investments	---	5,242,389	---	---	---	---
Changes of assumptions	---	165,300	270,800	---	660,889	512,337
Contributions subsequent to the measurement date	7,009,403	---	672,500	---	473,240	---
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>---</u>	<u>632,729</u>	<u>20,385</u>	<u>---</u>	<u>133,903</u>	<u>667,250</u>
	<u>\$ 7,064,815</u>	<u>\$6,348,525</u>	<u>\$1,559,623</u>	<u>\$ 208,609</u>	<u>\$1,596,984</u>	<u>\$1,215,917</u>

	2024					
	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	\$ 566,500	\$ 620,595	\$ ---	\$ 439,527	\$ 357,151	\$ 46,897
Net difference between projected and actual earnings on pension plan investments	7,180,503	---	---	---	---	---
Changes of assumptions	---	332,951	166,259	552,910	705,746	645,354
Contributions subsequent to the measurement date	6,559,494	---	618,700	---	475,704	---
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>51,792</u>	<u>835,862</u>	<u>14,568</u>	<u>11,497</u>	<u>149,079</u>	<u>590,553</u>
	<u>\$14,358,289</u>	<u>\$1,789,408</u>	<u>\$799,527</u>	<u>\$1,003,934</u>	<u>\$1,687,680</u>	<u>\$1,282,804</u>

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Notes to Financial Statements, continued

4. Pensions, continued

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

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, 2025 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2026	\$(1,780,121)	\$355,913	\$ 16,240
2027	1,163,665	322,601	16,236
2028	(3,147,064)	---	19,722
2029	(2,529,593)	---	15,473
2030	---	---	(35,973)
Thereafter	<u>---</u>	<u>---</u>	<u>(123,871)</u>
	<u>\$(6,293,113)</u>	<u>\$678,514</u>	<u>\$(_ 92,173)</u>

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Notes to Financial Statements, continued

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, 2015 through September 30, 2020. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Defined Benefit Plan:

Inflation:	2.50% per year
Investment rate of return:	7.00% per year
Payroll growth:	2.50% for Fiscal Year 2024, and thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire
Investment rate of return:	The investment rate of return of 7.0% is unchanged from the prior valuation. The discount rate assumption 7.0% is about equal to the expected geometric mean over 30 years, but lower than the average arithmetic return for one year. The geometric mean is lower than the arithmetic mean due to the expected volatility of investments. Note that if investments fail to achieve the assumed interest rate, future required contributions will increase. The 2015-2020 experience study recommended a decrease to the interest rate assumption from 7.0% to 6.7%, however, due to a change in the economic environment since that study was completed (primarily an increase in interest rates), the forward-looking expected return is now higher than it was when the 2015-2020 experience study analysis was conducted. The 7.0% assumption is reasonable.
Mortality	Based on the PUB-2010 General Healthy Retiree Amount-Weighted mortality table, and the PUB-2010 General Employees Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, then increased by 30% for ages less than 80.

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Notes to Financial Statements, continued

4. Pensions, continued

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

Inflation:	2.50% per year
Payroll growth:	2.50% for Fiscal Year 2024, and thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire
Mortality	Based on the PUB-2010 General Healthy Retiree Amount-Weighted mortality table, and the PUB-2010 General Employees Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, then increased by 30% for ages less than 80.

Ad Hoc COLA for DCRS Retirees:

Inflation:	2.50% per year
Payroll growth:	2.50% for Fiscal Year 2024, and thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for years 11 to 15, and 3.0% for service after 15 years
Retirement age:	5% of employees assumed to retire each year for ages 55 to 64, 10% of employees per year thereafter from age 65 until age 74, at which time all remaining employees are assumed to retire
Mortality	Based on the PUB-2010 General Healthy Retiree Amount-Weighted mortality table, and the PUB-2010 General Employees Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, then increased by 30% for ages less than 80.

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Notes to Financial Statements, continued

4. Pensions, continued

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

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:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	7.83%	2.03%
U.S. Equities (small cap)	4.0%	9.32%	0.37%
Non-U.S. Equities	17.0%	10.12%	1.72%
Non-U.S. Equities (emerging markets)	3.0%	11.79%	0.35%
U.S. Fixed Income (aggregate)	22.0%	4.86%	1.07%
Risk Parity	8.0%	6.53%	0.52%
High Yield Bonds	8.0%	6.54%	0.52%
Global Real Estate (REITs)	2.5%	9.34%	0.23%
Global Equity	7.5%	8.59%	0.64%
Global Infrastructure	2.0%	8.42%	0.17%
Expected average return for one year			7.64%
Expected geometric mean (30 years)			6.91%

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 at September 30, 2025 was 3.81% (4.09% at September 30, 2024), which is equal to the rate of return of a high-quality bond index.

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 <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	<u>\$54,106,899</u>	<u>\$41,300,281</u>	<u>\$30,274,697</u>

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Notes to Financial Statements, continued

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, continued

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>2.81%</u>	Current Discount Rate <u>3.81%</u>	1% Increase in Discount Rate <u>4.81%</u>
Net Pension Liability	<u>\$13,441,666</u>	<u>\$12,317,606</u>	<u>\$11,338,759</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>2.81%</u>	Current Discount Rate <u>3.81%</u>	1% Increase in Discount Rate <u>4.81%</u>
Net Pension Liability	<u>\$3,526,459</u>	<u>\$3,142,490</u>	<u>\$2,816,996</u>

C. Payables to the Pension Plans

As of September 30, 2025 and 2024, the Authority recorded payables to GGRF of \$18 representing unremitted statutorily required contributions.

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 OPEB plan.

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Notes to Financial Statements, continued

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

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 years ended September 30, 2025 and 2024, the Authority reimbursed GovGuam \$2,213,062 and \$1,898,586, respectively, 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, 2025	September 30, 2024
Measurement Date:	September 30, 2024	September 30, 2023
Valuation Date:	September 30, 2024	September 30, 2022

Collective total OPEB liability as of September 30, 2025 and 2024 is \$86,363,094 and \$108,084,468, respectively.

Proportionate share of total OPEB liability at September 30, 2025 and 2024 is 3.94% and 3.95%, respectively.

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Notes to Financial Statements, continued

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: 2.6% per year, based on current economic data, analyses from economists and other experts, and professional judgement. Previously, 2.5%

Discount rate: 3.81%, compounded annually, for the measurement as of September 30, 2024.

4.09%, compounded annually, for the measurement as of September 30, 2023.

The GASB 75 discount rate is based on a tax-exempt, high-quality municipal bond rate.

Amortization rate: Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.

Salary increases: 6.0% per year for the first 5 years of service, 4.5% for 6-10 years, 3% for over 10 years

Healthcare cost trend rate:

Fiscal Year	Claims	Retiree Contributions	Medicare Premiums
2025	7.00%	0.00%	8.76%
2026	6.50%	0.00%	7.62%
2027	6.00%	0.00%	7.00%
2028	5.50%	0.00%	7.00%
2029	5.00%	0.00%	7.00%
2030	4.50%	0.00%	7.00%
2031-2034	4.10%	0.00%	7.00%
2035	4.10%	0.00%	6.50%
2036	4.10%	0.00%	6.00%
2037	4.10%	0.00%	5.50%
2038	4.10%	0.00%	5.00%
2039	4.10%	0.00%	4.50%
Ultimate	4.10%	0.00%	4.10%

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Notes to Financial Statements, continued

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

B. Total OPEB Liability, continued

Healthcare cost trend rate,
continued:

Health care trend assumptions begin at current levels and grade down over a period of years to lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components is expected to decline year by year. Medical trend rates applied to projected claims costs.

Previously, retiree contribution trend rates were the same as the trend rates shown for claims.

Previously, Medicare premium trend rates were 4.25% per year in all years.

Previously, retiree contribution trend rates were the same as the trend rates shown for claims.

Previously, Medicare premium trend rates were 4.25% per year in all years.

Dental trend rates:

For claims, 4.25% per year. For retiree contributions, 0% per year. These trend rates are based on a blend of historical retiree premium rate increases as well as observed U.S. national trends. The 0% retiree contribution increases reflect recent Guam plan experience.

Mortality rates:

Active employees: PUB-2010 General employees Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

Healthy retirees: PUB-2010 General Healthy Retiree Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

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Notes to Financial Statements, continued

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

B. Total OPEB Liability, continued

Mortality rates,
continued:

Disabled retirees: PUB-2010 General Disabled Retiree Headcount-Weighted Mortality Table. Set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

Survivors: PUB-2010 General Contingent Survivor Headcount-Weighted Mortality Table, set forward 3 years and 4 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

The actuarial valuation is performed using a mortality table used by Milliman, the current pension actuary, based on an actuarial experience study of the experience from 2016 to 2020 which justified the use of the current mortality tables. The mortality tables used by Milliman are weighted by amount (salary for active employees and benefit amount for those in payment status).

For this retiree medical valuation, the headcount-weighted mortality tables are used, which are more appropriate for the measurement of obligations with benefit structures uncorrelated with income.

Medical enrollment:

Based on current retiree data for individuals age 65 and older, a 65% Medicare enrollment rate is assumed for current and future retirees upon attainment of age 65. Individuals who enroll in Medicare are assumed to participate in the Retiree Supplemental Plan (RSP). The remaining 35% are assumed not to enroll in Medicare and therefore remain in their elected non-Medicare GovGuam plan. All employees who retired prior to September 28, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore are assumed to remain in the non-Medicare GovGuam plan.

Previously, 55% of current and future retirees were assumed to enroll in Medicare upon attainment of age 65.

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Notes to Financial Statements, continued

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

B. Total OPEB Liability, continued

Dependent status: Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical - 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee's retirement. Dental - 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee's retirement. Life - 100% of spouses of active employees will elect to participate at the active employee's retirement. For current retired employees, the actual census information is used.

Actuarial cost method: Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.

Employee data: Employee and retiree data as of September 30, 2024 were submitted by GovGuam. Reasonable adjustments for missing or invalid data were made.

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 3.81%. 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 4.09% municipal bond rate 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 in measuring the OPEB liability.

	1% Decrease in Discount Rate <u>2.81%</u>	Current Discount Rate <u>3.81%</u>	1% Increase in Discount Rate <u>4.81%</u>
OPEB Liability	\$ <u>100,323,521</u>	\$ <u>86,363,094</u>	\$ <u>75,057,443</u>

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Notes to Financial Statements, continued

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 OPEB liability.

	<u>1% Decrease</u>	Healthcare Cost <u>Trend Rates</u>	<u>1% Increase</u>
OPEB Liability	<u>\$73,688,547</u>	<u>\$86,363,094</u>	<u>\$102,562,226</u>

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

For the years ended September 30, 2025 and 2024, the Authority recognized OPEB expense of \$6,092,199 and \$7,823,102. At September 30, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2025</u>		<u>2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 4,863,360	\$14,418,035	\$ 3,652,272	\$20,710,111
Difference between expected and actual experience	12,052,419	30,467,151	16,537,852	4,564,676
Contributions subsequent to the measurement date	2,651,114	---	2,213,062	---
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>1,833,384</u>	<u>412,572</u>	<u>3,283,033</u>	<u>---</u>
	<u>\$21,400,277</u>	<u>\$45,297,758</u>	<u>\$25,686,219</u>	<u>\$25,274,787</u>

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 will be recognized in OPEB expense as follows:

2026	\$(4,642,099)
2027	(4,919,341)
2028	(5,640,173)
2029	(5,640,172)
2030	(2,084,425)
Thereafter	<u>(3,622,385)</u>
	<u>\$(26,548,595)</u>

Port Authority of Guam
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Notes to Financial Statements, continued

6. Long-Term Liabilities

A. Long-Term Debt

Long-term bank debt consists of the following:

	<u>2025</u>	<u>2024</u>
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	\$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	14,600,000	14,600,000
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	<u>9,680,000</u>	<u>12,635,000</u>
Total long-term debt	54,260,000	57,215,000
Less current portion	(3,085,000)	(2,955,000)
	51,175,000	54,260,000
Add premium on bonds	<u>3,597,797</u>	<u>3,805,190</u>
	<u>\$54,772,797</u>	<u>\$58,065,190</u>

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 years ended September 30, 2025 and 2024, the debt service for the series bonds was \$5,755,118 and \$5,756,618, respectively or approximately 12% and 11% of pledged gross revenues.

Port Authority of Guam
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Notes to Financial Statements, continued

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, 2025, future maturities of long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2026	\$ 3,085,000	\$ 2,670,118	\$ 5,755,118
2027	3,225,000	2,531,183	5,756,183
2028	3,370,000	2,383,413	5,753,413
2029	1,350,000	2,229,000	3,579,000
2030	1,415,000	2,161,500	3,576,500
2031 through 2035	8,210,000	9,672,750	17,882,750
2036 through 2040	10,485,000	7,403,250	17,888,250
2041 through 2045	13,380,000	4,507,750	17,887,750
2046 through 2048	<u>9,740,000</u>	<u>989,750</u>	<u>10,729,750</u>
	<u>\$54,260,000</u>	<u>\$34,548,714</u>	<u>\$88,808,714</u>

Changes in long-term bank debt for the year ended September 30, 2025 and 2024 are as follows:

	<u>Outstanding at September 30, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding at September 30, 2025</u>	<u>Current</u>	<u>Noncurrent</u>
2018 Series A bonds	\$29,980,000	\$ ---	\$ ---	\$29,980,000	\$ ---	\$29,980,000
2018 Series B bonds	14,600,000	---	---	14,600,000	---	14,600,000
2018 Series C bonds	12,635,000	---	(2,955,000)	9,680,000	3,085,000	6,595,000
Unamortized premium on 2018 Series bonds	<u>3,805,190</u>	<u>---</u>	<u>(207,393)</u>	<u>3,597,797</u>	<u>---</u>	<u>3,597,797</u>
	<u>\$61,020,190</u>	<u>\$ ---</u>	<u>\$(3,162,393)</u>	<u>\$57,857,797</u>	<u>\$3,085,000</u>	<u>\$54,772,797</u>
	<u>Outstanding at September 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding at September 30, 2024</u>	<u>Current</u>	<u>Noncurrent</u>
2018 Series A bonds	\$29,980,000	\$ ---	\$ ---	\$29,980,000	\$ ---	\$29,980,000
2018 Series B bonds	16,965,000	---	(2,365,000)	14,600,000	---	14,600,000
2018 Series C bonds	13,090,000	---	(455,000)	12,635,000	2,955,000	9,680,000
Unamortized premium on 2018 Series bonds	<u>4,023,477</u>	<u>---</u>	<u>(218,287)</u>	<u>3,805,190</u>	<u>---</u>	<u>3,805,190</u>
	<u>\$64,058,477</u>	<u>\$ ---</u>	<u>\$(3,038,287)</u>	<u>\$61,020,190</u>	<u>\$2,955,000</u>	<u>\$58,065,190</u>

Port Authority of Guam
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Notes to Financial Statements, continued

6. Long-Term Liabilities, continued

A. Long-Term Debt, continued

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 years ended September 30, 2025 and 2024. The primary requirements of the Master Indenture are summarized below:

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, 2025 and 2024, 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.

Port Authority of Guam
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Notes to Financial Statements, continued

6. Long-Term Liabilities, continued

A. Long-Term Debt, continued

Bond Covenants, continued

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.

B. Other Long-Term Liabilities

Changes in other long-term liabilities in fiscal year 2025 and 2024 were as follows:

	Outstanding at September 30, 2024	Increases	Decreases	Outstanding at September 30, 2025	Current	Noncurrent
Compensated absences*	\$ 3,157,637	\$ 118,184	\$ ---	\$ 3,275,821	\$1,810,741	\$ 1,465,080
Lease liabilities	228,319	---	(73,396)	154,923	---	154,923
Net pension liability	69,669,348	---	(12,908,971)	56,760,377	---	56,760,377
OPEB liability	<u>108,084,468</u>	<u>---</u>	<u>(21,721,374)</u>	<u>86,363,094</u>	<u>---</u>	<u>86,363,094</u>
	<u>\$181,139,772</u>	<u>\$ 118,184</u>	<u>\$(34,703,741)</u>	<u>\$146,554,215</u>	<u>\$1,810,741</u>	<u>\$144,743,474</u>
	Outstanding at September 30, 2023	Increases	Decreases	Outstanding at September 30, 2024	Current	Noncurrent
Compensated absences*	\$ 4,187,245	\$ 2,296,836	\$(3,326,444)	\$ 3,157,637	\$1,778,045	\$ 1,379,592
Lease liabilities	279,303	20,722	(71,706)	228,319	---	228,319
Net pension liability	73,373,540	---	(3,704,192)	69,669,348	---	69,669,348
OPEB liability	<u>90,395,007</u>	<u>17,689,461</u>	<u>---</u>	<u>108,084,468</u>	<u>---</u>	<u>108,084,468</u>
	<u>\$168,235,095</u>	<u>\$20,007,019</u>	<u>\$(7,102,342)</u>	<u>\$181,139,772</u>	<u>\$1,778,045</u>	<u>\$179,361,727</u>

*The change in the compensated absences liability is presented as a net change.

7. Major Customers

For the years ended September 30, 2025 and 2024, the Authority has two and three major shipping agency customers that collectively accounted for 61% and 68% of total operating revenues, respectively. The Authority has a high concentration of credit risk due to the limited number of entities comprising its customer base.

Port Authority of Guam
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Notes to Financial Statements, continued

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 \$10,865,596 and \$10,063,590 for the years ended September 30, 2025 and 2024, respectively. Of those amounts, the Authority earned variable lease revenue of \$8,715,140 and \$8,652,088 for the years ended September 30, 2025 and 2024, respectively, not previously included in measurement of the lease receivable.

A summary of changes in lease receivable for the year ended September 30, 2025 and 2024 is as follows:

<u>Beginning Balance</u> <u>September 30, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u> <u>September 30, 2025</u>	<u>Current</u>	<u>Noncurrent</u>
\$36,781,344	\$13,473,393	\$(3,109,714)	\$47,145,023	\$3,511,931	\$43,633,092

<u>Beginning Balance</u> <u>September 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u> <u>September 30, 2024</u>	<u>Current</u>	<u>Noncurrent</u>
\$37,918,152	\$666,333	\$(1,803,141)	\$36,781,344	\$1,118,837	\$35,662,507

Lease receivables are due in the upcoming years as follows:

<u>Years ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 3,511,931	\$ 941,488	\$ 4,453,419
2027	3,432,050	852,178	4,284,228
2028	3,442,625	762,156	4,204,781
2029	3,534,387	670,394	4,204,781
2030	2,705,963	579,514	3,285,477
2031 - 2035	4,800,812	2,549,609	7,350,421
2036 - 2040	5,061,246	2,106,802	7,168,048
2041 - 2045	4,577,199	1,678,984	6,256,183
2046 - 2050	5,013,169	1,243,014	6,256,183
2051 - 2055	5,490,664	765,519	6,256,183
2056 - 2060	5,426,488	246,387	5,672,875
2061 - 2062	<u>148,489</u>	<u>576</u>	<u>149,065</u>
	<u>\$47,145,023</u>	<u>\$12,396,621</u>	<u>\$59,541,644</u>

Port Authority of Guam
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Notes to Financial Statements, continued

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.

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.

Upon completion of the initial three phases, the remaining \$2,600,000 was reprogrammed via an amendment to the agreement for the following capital improvement projects and equipment purchases:

Port Authority of Guam
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Notes to Financial Statements, continued

9. Commitments and Contingencies, continued

Port Modernization Plan, continued

<u>Project Title</u>	<u>Completion Date</u>
Load Center 5 Building Repairs	May 4, 2019
Perimeter Fencing – CMU Wall Upgrades	February 28, 2020
New Container Yard Striping	November 22, 2019
Repaint Remaining Port CMU Wall	June 10, 2021
Acquisition of Additional Digital Cameras and CCTV Equipment	December 12, 2022
Upgrade Port’s KANTECH Access Control and Web-Ready Security Management System	December 12, 2022
Acquisition of Loaded Container Handler Equipment (2 Top Lifters)	January 24, 2020

The official close-out date of the project was December 12, 2022.

A dashboard project expenditure summary was provided to the Authority by MARAD and was used as the basis for recording of capital assets.

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, 2025 and 2024.

Lawsuit and Claims

The Authority is a defendant in various lawsuits and proceedings arising in the normal course of business. 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 no provision has been recorded for litigation and claims in the financial statements.

Port Authority of Guam
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Notes to Financial Statements, continued

9. Commitments and Contingencies, continued

Contract Commitments

As of September 30, 2025, the Authority has various on-going construction contracts with a total contract price of \$153.6 million, of which \$27.9 million has been recorded as construction work-in-progress.

As of September 30, 2024, the Authority has various on-going construction contracts with a total contract price of \$98.7 million, of which \$23.7 million has been recorded as construction work-in-progress.

Purchase Commitments

As of September 30, 2025 and 2024, the Authority has outstanding purchase orders for various equipment purchases totaling \$352,015 and \$9,267,499, respectively.

Required Supplementary Information

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

Defined Benefit Plan

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PAG's proportionate share of the net pension liability	\$41,300,281	\$55,171,590	\$60,381,635	\$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	3.92%	3.95%	4.06%	4.05%	4.01%	3.86%	3.48%	3.48%	3.20%	3.09%
PAG's covered payroll*	\$24,846,015	\$23,562,813	\$22,559,349	\$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	166.22%	234.15%	267.66%	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	69.68%	59.17%	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%

* Covered payroll data from the actuarial valuation date with one-year lag.

Port Authority of Guam
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Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Collective Total Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PAG's proportionate share of the net pension liability	\$12,317,606	\$10,852,390	\$10,332,672	\$12,455,789	\$13,145,995	\$13,573,770	\$11,646,387	\$11,683,996
PAG's proportion of the collective total pension liability	4.04%	4.04%	4.03%	4.04%	4.08%	4.19%	4.02%	4.05%

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

Port Authority of Guam
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Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Total Collective Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PAG's proportionate share of the total collective pension liability	\$3,142,490	\$3,645,368	\$2,659,233	\$3,238,841	\$3,038,870	\$3,117,626	\$2,527,680	\$3,186,769
PAG's proportion of the net pension liability	4.40%	4.65%	4.42%	4.59%	4.58%	5.21%	5.12%	5.10%

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

Port Authority of Guam
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Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 6,584,726	\$ 5,846,034	\$ 5,799,201	\$ 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	<u>7,009,403</u>	<u>6,559,494</u>	<u>5,483,004</u>	<u>5,099,085</u>	<u>4,766,204</u>	<u>4,686,893</u>	<u>4,728,288</u>	<u>4,363,054</u>	<u>3,981,412</u>	<u>4,154,190</u>
Contribution (excess) deficiency	\$(<u>424,677</u>)	\$(<u>713,460</u>)	\$ <u>316,197</u>	\$ <u>538,887</u>	\$ <u>447,055</u>	\$ <u>33,866</u>	\$(<u>187,668</u>)	\$(<u>152,562</u>)	\$ <u>35,634</u>	\$ <u>18,469</u>
PAG's covered payroll*	<u>\$21,383,936</u>	<u>\$21,106,111</u>	<u>\$22,559,349</u>	<u>\$21,572,942</u>	<u>\$20,936,236</u>	<u>\$19,644,856</u>	<u>\$17,885,121</u>	<u>\$17,703,032</u>	<u>\$16,202,268</u>	<u>\$15,793,402</u>
Contribution as a percentage of covered-employee payroll	32.78%	31.08%	24.30%	23.64%	22.77%	23.86%	26.44%	24.65%	24.57%	26.30%

* Covered payroll data from the actuarial valuation date with one-year lag.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PAG's proportionate share of the collective total OPEB liability	\$86,363,094	\$108,084,468	\$90,395,007	\$107,471,269	\$97,077,114	\$92,013,986	\$67,314,364	\$84,786,658
PAG's proportion of the collective total OPEB liability	3.94%	3.95%	3.94%	3.88%	3.85%	3.60%	3.59%	3.49%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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Notes to Required Supplementary Information (Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in the 2024 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,402,000 per year.

Amounts reported in the 2023 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,798,000 per year.

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,565,000 per year.

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.

Changes in Assumptions – Other Postemployment Benefit Plan

The information presented has no assets accumulated in a trust to pay related benefits.

Supplementary and Other Information

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

Schedule of Details of Operating Expenses

Years ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Management and administration		
Management:		
Salaries and wages - regular	\$ 979,606	\$ 838,352
Pension cost	199,824	417,854
Fringe benefits	80,917	59,311
Annual leave	80,572	78,688
Benefits - Government contribution	13,274	12,518
Salaries and wages – other	5,411	---
Office supplies	1,518	3,022
Salaries and wages - overtime	---	4,680
Miscellaneous	<u>53,078</u>	<u>63,039</u>
Total management	<u>1,414,200</u>	<u>1,477,464</u>
Administration:		
Salaries and wages - regular	9,915,393	9,080,173
Pension cost	2,124,493	4,501,082
Fringe benefits	1,360,520	1,006,475
Annual leave	816,108	823,744
Repairs and maintenance	605,827	740,013
Salaries and wages - overtime	193,834	272,161
Benefits - Government contribution	139,264	134,498
Salaries and wages - other	101,136	98,514
Furnishings and equipment	99,737	181,808
Operational supplies	88,647	66,450
Office supplies	29,073	31,533
Miscellaneous	<u>459,373</u>	<u>649,633</u>
Total administration	<u>15,933,405</u>	<u>17,586,084</u>
Total management and administration	<u>\$17,347,605</u>	<u>\$19,063,548</u>

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

Schedule of Details of Operating Expenses, continued

	<u>2025</u>	<u>2024</u>
Equipment maintenance		
Salaries and wages - regular	\$2,571,574	\$2,786,889
Pension cost	718,777	1,502,951
Fringe benefits	599,694	456,498
Operational supplies	521,137	680,006
Repairs and maintenance	395,723	619,519
Salaries and wages - overtime	302,086	358,567
Annual leave	236,981	255,568
Salaries and wages - other	189,996	196,925
Furnishings and equipment	23,507	26,993
Office supplies	6,628	3,909
Benefits - Government contribution	(193,756)	(22,163)
Miscellaneous	<u>5,795</u>	<u>153,680</u>
 Total equipment maintenance	 <u>\$5,378,142</u>	 <u>\$7,019,342</u>
 Transportation services		
Salaries and wages - regular	\$2,911,789	\$2,863,398
Pension cost	631,216	1,445,986
Salaries and wages – overtime	580,654	522,520
Fringe benefits	545,894	438,861
Gas, oil and diesel	269,110	351,648
Salaries and wages – other	239,337	239,904
Annual leave	230,125	250,207
Benefits – Government contribution	51,816	53,407
Furnishings and equipment	1,747	2,182
Office supplies	661	1,329
Operational supplies	<u>533</u>	<u>1,142</u>
 Total transportation services	 <u>\$5,462,882</u>	 <u>\$6,170,584</u>

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

Schedule of Details of Operating Expenses, continued

	<u>2025</u>	<u>2024</u>
Stevedoring services		
Salaries and wages - regular	\$2,463,489	\$2,427,364
Salaries and wages – overtime	554,305	568,387
Pension cost	507,610	1,182,588
Fringe benefits	432,728	341,124
Annual leave	180,042	192,713
Salaries and wages – other	164,698	168,981
Benefits – Government contribution	43,413	45,256
Office supplies	790	838
Operational supplies	690	1,071
Furnishings and equipment	<u>---</u>	<u>226</u>
 Total stevedoring services	 <u>\$4,347,765</u>	 <u>\$4,928,548</u>
 Facility maintenance		
Salaries and wages - regular	\$1,319,952	\$1,196,646
Pension cost	277,058	615,949
Fringe benefits	269,617	227,033
Salaries and wages - overtime	139,656	146,659
Operational supplies	114,783	175,265
Annual leave	99,055	100,246
Salaries and wages – other	22,238	19,409
Benefits - Government contribution	14,414	9,220
Furnishings and equipment	8,528	7,675
Repairs and maintenance	3,198	---
Office supplies	1,388	60
Operating expenses	---	7,012
Miscellaneous	<u>31,183</u>	<u>13,122</u>
 Total facility maintenance	 <u>\$2,301,070</u>	 <u>\$2,518,296</u>

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

Schedule of Details of Operating Expenses, continued

	<u>2025</u>	<u>2024</u>
Terminal services:		
Salaries and wages - regular	\$2,244,899	\$2,038,083
Pension cost	484,274	1,015,701
Fringe benefits	375,496	245,609
Salaries and wages – overtime	291,966	293,373
Annual leave	180,920	180,812
Salaries and wages – other	135,413	123,861
Benefits – Government contribution	36,322	34,784
Operational supplies	6,278	4,927
Office supplies	3,795	6,947
Furnishings and equipment	<u>414</u>	<u>806</u>
 Total terminal services	 <u>\$3,759,777</u>	 <u>\$3,944,903</u>
 General expenses:		
Managers' fee	\$1,214,413	\$1,338,718
Maintenance	472,802	263,693
Professional services	271,047	267,063
Workmen's compensation injury allowance	122,772	48,677
Waste removal	117,191	105,282
Audit	89,720	22,080
Port incentive award	85,601	133,123
Inventory adjustment	65,373	(65,786)
Board of Directors expense	8,900	8,250
Agency fee	8,526	7,280
Legal counsel	532	---
Tech Service	---	340,471
Contingencies	---	76,613
Claims and damages	---	15,500
Miscellaneous	<u>189,053</u>	<u>161,101</u>
 Total general expenses	 <u>\$2,645,930</u>	 <u>\$2,722,065</u>

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

Schedule of Summary of Salaries and Wages

Years ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Salaries and wages - regular	\$22,406,702	\$21,230,905
Salaries and wages – overtime	2,062,501	2,166,347
Fringe benefits	3,664,866	2,774,911
Salaries and wages - other	858,229	847,594
Benefits – Government contribution	<u>104,747</u>	<u>267,520</u>
	<u>\$29,097,045</u>	<u>\$27,287,277</u>

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

Employees by Department

Years ended September 30, 2025 and 2024

Department:	<u>2025</u>	<u>2024</u>
Management and administration	151	149
Transportation services	58	50
Equipment maintenance	52	55
Stevedoring services	51	49
Terminal services	38	41
Facility maintenance	<u>29</u>	<u>31</u>
	<u>379</u>	<u>375</u>