

*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, 2024 and 2023
with Report of Independent Auditors*



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, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 25, 2025, 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 25, 2025

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

Management's Discussion and Analysis

Years ended September 30, 2024 and 2023

Introduction

The Port Authority of Guam's (PAG, Port, Authority) Management Discussion and Analysis (MD&A) provides an overview of Port's financial performance and activities for the fiscal years (FY) ended September 30, 2024 and 2023. 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 2024, Port celebrated 49 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 recent 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 2024, Guam received 752 thousand (K) arrivals – a 25% improvement from FY 2023 arrivals. Even so, Guam is still on the road to recovery to achieving pre-pandemic levels with FY 2024 arrivals 54% less than FY 2019 arrivals of 1.6 million (M).

In February 2023, Guam welcomed the MS Amadea at the port – the first cruise liner to visit Guam since the coronavirus pandemic began. In FY 2024 alone, we welcomed nine cruise liners – setting a new record for the most passenger vessels to visit our island in one year. This highlights the growing appeal of Guam as a must-see cruise 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 2023 as measured by construction employment, foreign nationals brought in to fill temporary labor services, and gross receipts taxes paid for construction. In FY 2024, \$378.1M in building and construction permits were issued – for which \$121.4M was new (as opposed to renovations or additions). The dollar value of building and construction permits issued in FY 2024 increased by 49% from the prior fiscal year and increased by 5% 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 \$448.5M in FY 2019 to just over \$1 billion (B) in FY 2024. Other FY 2024 national defense funding authorizations for Guam included \$2.1B for authorized construction and land acquisition projects, \$290.4M for family housing, \$166M for joint communication upgrade, and \$20M for a space control facility.

A more immediate and solid indicator of financial commitments to commence construction soon – individual, DOD construction contracts (valued at \$5M+) amounted to \$626.5M in FY 2024. Of that amount, \$503.8M was contracted to Guam-based companies. Moreover, the DOD projects currently under construction still have over \$1.1B 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 will begin their move to Guam by FY 2025, according to the December 2021 Guam Realignment Report.

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 2024 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 2024 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>2024</u>	<u>2023</u>	<u>2022</u>
Assets and Deferred Outflows of Resources			
Current and other assets	\$141,674	\$139,144	\$138,939
Other noncurrent asset	35,663	36,781	37,918
Capital assets	<u>127,202</u>	<u>121,860</u>	<u>115,473</u>
Total assets	304,539	297,785	292,330
Deferred outflows of resources	<u>42,532</u>	<u>44,717</u>	<u>38,352</u>
Total assets and deferred outflows of resources	<u>\$347,071</u>	<u>\$342,502</u>	<u>\$330,682</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities	\$ 10,014	\$ 9,519	\$ 9,003
Non-current liabilities	<u>237,427</u>	<u>227,833</u>	<u>229,159</u>
Total liabilities	<u>247,441</u>	<u>237,352</u>	<u>238,162</u>
Deferred inflows of resources	65,318	74,174	66,139
Net position:			
Net investment in capital assets	116,223	106,617	98,457
Restricted - expendable	49,551	47,119	46,574
Unrestricted	<u>(131,462)</u>	<u>(122,760)</u>	<u>(118,650)</u>
Total net position	<u>34,312</u>	<u>30,976</u>	<u>26,381</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$347,071</u>	<u>\$342,502</u>	<u>\$330,682</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 2024, Port's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources by \$34.3M – Port's total net position at year end. Port's total net position increased by \$3.3M (or 11%) from FY 2023 to FY 2024. Port's total assets amounted to \$304.5M as of FY 2024.

Cash and cash equivalents (restricted and unrestricted) of \$125.9M accounted for 41% of Port's assets. Port's restricted, expendable cash and cash equivalents of \$99.6M are restricted for the following: a reserve fund used to pay the interest and principal payments due for the 2018 Port Revenue Bonds, future crane acquisition or extraordinary crane maintenance, and the maintenance, replacements, and repair of facilities.

In any given year, the largest portion of Port's net position is its net investment in capital assets (e.g., land, facilities, equipment, and construction in progress). Port uses these capital assets to provide services to its tenants and customers, and to construct, improve, and maintain its assets. Therefore, these capital assets are not available for future spending. Net investment in capital assets accumulated to \$116.2M, as of FY 2024, or 38% of Port's total assets. New asset additions and construction activities increased by 66% from \$15.4M in FY 2023 to \$25.6M in FY 2024.

Inclusive of federal receivables and the current portion of lease receivables, total accounts receivable of \$14.4M encompassed only 5% of total assets as of FY 2024.

In support of its mission, Port leases its land, infrastructure, and building space to private companies to further develop the maritime industries in Guam. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, Port continues to recognize, on the balance sheet, the present value of the lease payments expected to be received for the remainder of the lease terms.

Port counted a total of 48 lease agreements with 43 companies at the start of FY 2024. However, only 13 of these leases, with eight companies, continue to be applicable and measurable under GASB 87. As the lessor, Port recognized lease receivables of \$36.8M and a deferred inflow of future lease payments of \$36.0M as of FY 2024. 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 qualifying it as a lessee under GASB 87. As the lessee, Port recognized a lease liability of \$228K and a lease asset (for leased equipment) of \$221K as of FY 2024.

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

Financial Position Summary, continued

Port's total liabilities amounted to \$247.4M as of FY 2024. Making up 4% of Port's total liabilities, \$10.0M in current liabilities included trade accounts payable, security deposits and other payables, accrued payroll and withholdings, unearned revenue, and the current portions of accrued annual leave and long-term debt.

Port pays all current retirement obligations for our retirees. As is the nature of retirement benefits, coupled with changes in actuarial assumptions, net pension liability and other post-employment benefits (OPEB) liability make up the majority of Port's \$247.4M total liabilities. As of FY 2024, Port's net pension liability decreased to \$69.7M, while its OPEB liability increased to \$108.1M.

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 \$61.0M, or 25% of total liabilities, as of FY 2024. At least 59% of the bonds' proceeds were invested to improving Port's existing assets and acquiring new assets. The other 41% was used with respect to the bonds to pay any costs or expenses relating to the authorization, issuance, or sale of bonds; fund a debt service reserve fund; and fund capitalized interest.

With its volume of 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.

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

Management's Discussion and Analysis, continued

Statements of Revenues, Expenses, and Changes in Net Position, continued

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>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$58,667	\$60,616	\$57,698
Operating expenses	<u>61,856</u>	<u>56,042</u>	<u>54,553</u>
Operating (loss) income before depreciation	(3,189)	4,574	3,145
Depreciation	<u>6,974</u>	<u>6,189</u>	<u>6,144</u>
Operating (loss) income	(10,163)	(1,615)	(2,999)
Nonoperating revenues (expenses), net	12,936	4,416	15,016
Contributed capital	<u>563</u>	<u>1,794</u>	<u>561</u>
Increase in net position	3,336	4,595	12,578
Net position at beginning of year	<u>30,976</u>	<u>26,381</u>	<u>13,803</u>
Net position at end of year	<u>\$34,312</u>	<u>\$30,976</u>	<u>\$26,381</u>

Source: PAG Financial Audits.

Financial Operating Highlights

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues			
Cargo throughput charges	\$36,035	\$36,279	\$35,976
Equipment and space rental	10,064	10,534	9,553
Crane surcharge	5,943	5,929	6,027
Wharfage charges	6,317	6,184	6,018
Special services	118	98	92
Other operating income	190	1,677	32
Provision for bad debts	<u>---</u>	<u>(85)</u>	<u>---</u>
Total operating revenues	<u>\$58,667</u>	<u>\$60,616</u>	<u>\$57,698</u>

Source: PAG Financial Audits.

In FY 2024, Port's operating revenues decreased by \$1.9M from FY 2023. During FY 2024, Port handled 0.4% less containers and 2% less breakbulk (non-containerized) cargo, than last year. This is reflected in cargo throughput charges having decreased by \$244K despite wharfage charges having increased by \$133K and crane surcharge increased by \$14K. Additionally, special services revenue increased by \$21K.

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

Management's Discussion and Analysis, continued

Financial Operating Highlights, continued

The \$244K decrease, from FY 2023, in cargo throughput charges revenue is attributed to the following decreases: breakbulk by \$819K, overstowed containers by \$226K, and cargo on chassis by \$106K. These decreases were countered, in part, by increases in roll-on/roll-off cargo by \$366K and direct labor billed by \$208K.

Roll-on/roll-off cargo is cargo discharged without needing Port equipment, e.g., personal vehicles or heavy equipment. In FY 2024, Port handled 8,350 individual roll-on/roll-off cargo, which is a 22% increase from the 6,821 individual roll-on/roll-off cargo handled in FY 2023.

Crane surcharge revenue increased by \$14K despite the decrease in container cargo count.

None of our FY 2024 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)].

From FY 2019 to FY 2024, 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 2024, 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 decreased by \$470K, due mainly to the \$985K decrease 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.

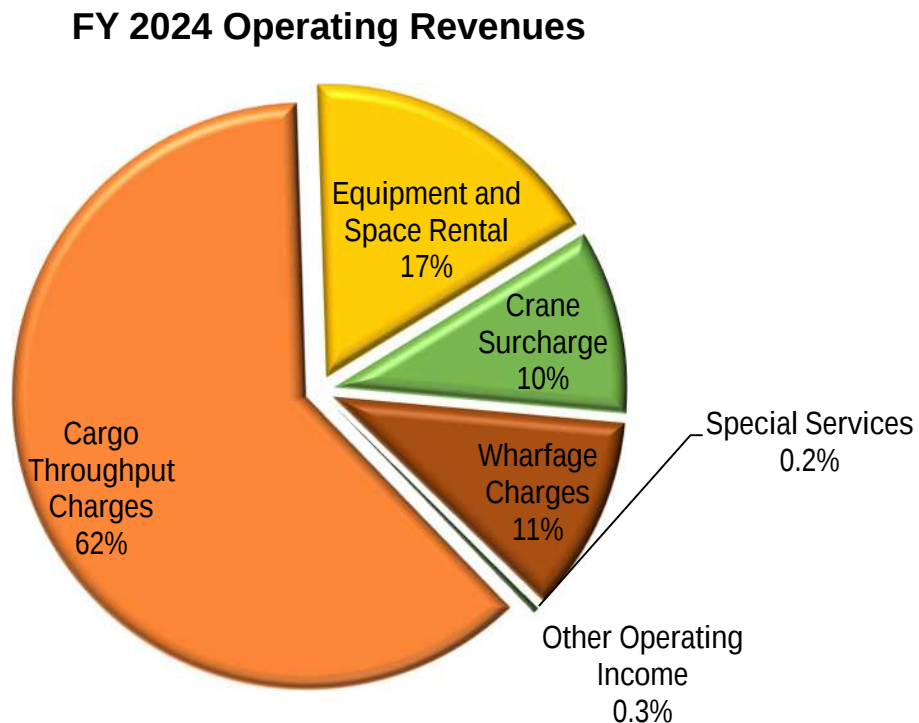
Other operating income decreased by \$1.5M from FY 2023. The \$191K earned in FY 2024 is closer aligned to the other operating income earned in FY 2019 (pre-pandemic). FY 2023 was an irregular year having experienced the strongest typhoon to hit our island in over 20 years and receiving \$2M in insurance claim proceeds resulting from the debris, damages, and business interruptions.

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 revenues for the year ended September 30, 2024 is as follows:



Source: PAG Financial Audits.

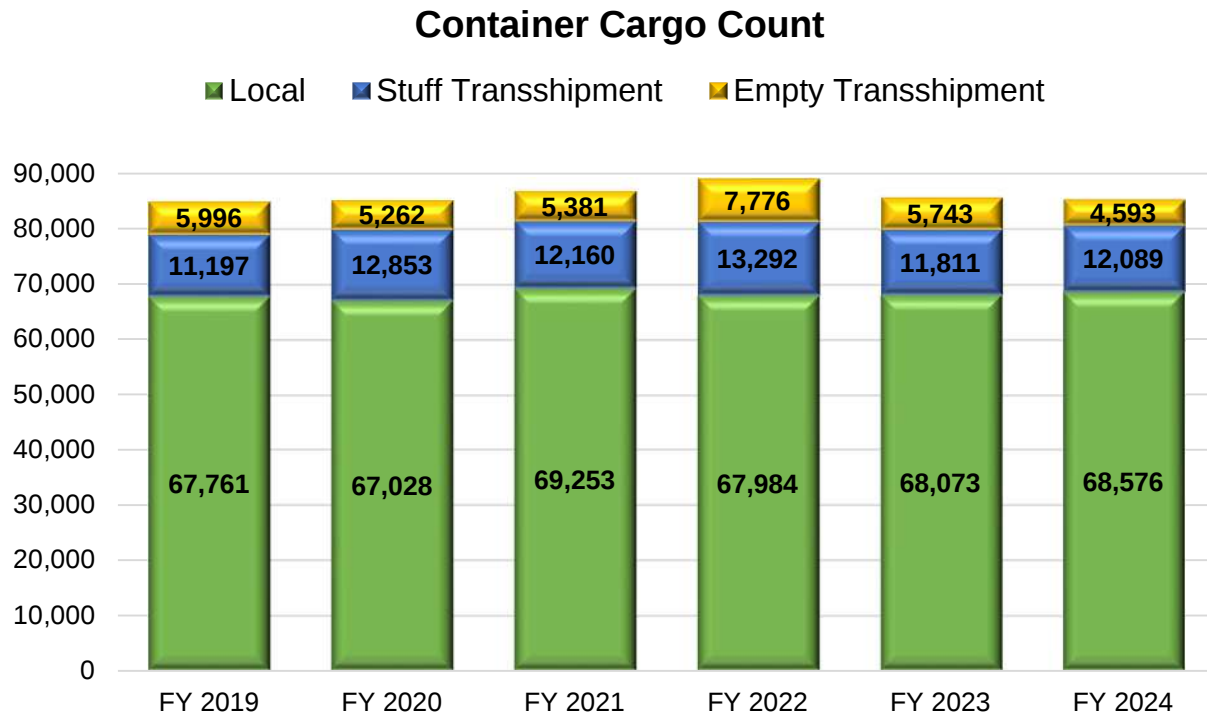
As evident by the revenues pie chart, the main gauge for Port’s annual revenue is the number of cargo it handles. Cargos are classified as either container or non-container (breakbulk). Container cargo refers to the goods that are transported via shipping container. Container cargo is further broken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

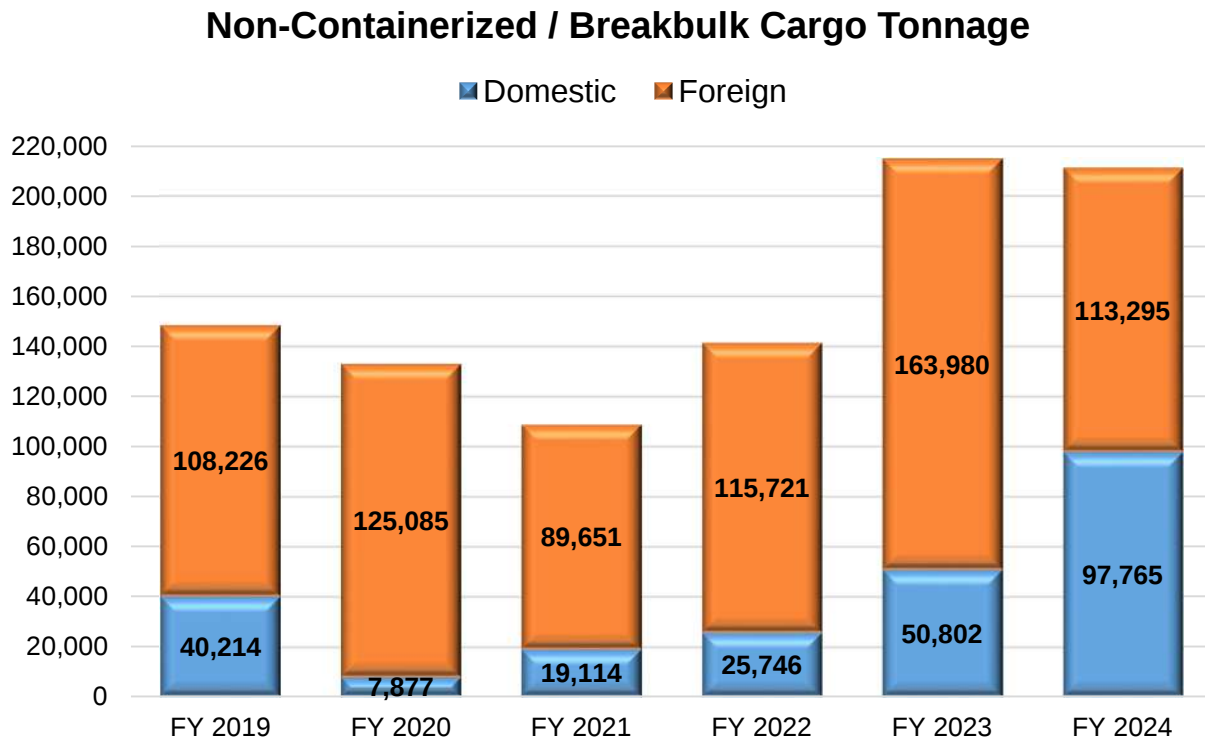
In FY 2024, Port handled 85K containers, a 0.4% decrease from the prior year’s container count of almost 86K. The decrease in empty transshipment containers was offset by the small increases in local and stuff transshipment containers.

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

Financial Operating Highlights, continued

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



Source: PAG Cargo Statistics.

In FY 2024, Port handled 211K tons of breakbulk – a 2% decrease from the prior year’s 215K tons of breakbulk. Domestic breakbulk increased by 47K tons, while foreign breakbulk decreased by 51K 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 2024 cargo data, container and breakbulk totals were within or beyond FY 2019 cargo activity. The 85K containers Port handled in FY 2024 were 0.4% higher than the 85K handled in FY 2019, while the 211K tons of breakbulk handled in FY 2024 were 42% higher than the 148K tons handled in FY 2019.

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

Management's Discussion and Analysis, continued

Financial Operating Highlights, continued

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Expenses			
Management and administration	\$19,064	\$17,503	\$15,086
Operations	15,044	14,807	13,375
General expenses	9,607	8,491	9,543
Retiree healthcare and other benefits	8,604	6,045	7,964
Equipment maintenance	7,019	6,827	6,395
Facility maintenance	<u>2,518</u>	<u>2,369</u>	<u>2,190</u>
Total operating expenses	<u>61,856</u>	<u>56,042</u>	<u>54,553</u>
(Loss) income from operations before depreciation	(3,189)	4,574	3,145
Depreciation	<u>6,974</u>	<u>6,189</u>	<u>6,144</u>
Loss from operations	\$(<u>10,163</u>)	\$(<u>1,615</u>)	\$(<u>2,999</u>)

Source: PAG Financial Audits.

During FY 2024, Port's operating expenses (excluding depreciation) increased by \$5.8M from the prior year. The expense increases in management and administration, equipment maintenance, transportation services, stevedoring services, and facility maintenance are attributed 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 \$2.6M increase to retiree healthcare and other benefits expense.

The other non-cash expense of depreciation increased by \$786K with the transfer and addition of \$15.8M in depreciable capital assets. With Port's dedication to investing in and upgrading equipment and facilities for continued growth, we added \$5.4M in building capital improvements and \$10.3M in new equipment (or equipment capital improvements) during FY 2024.

Insurance expense increased by \$1.3M due to the increase in Port's FY 2024 premium for commercial property insurance. Subsequent to the insurance claims we filed concerning the damages and business interruptions of Typhoon Mawar (in May 2023), we had to update Port's property values (which were already outdated prior to Mawar).

The \$25K increase in general expenses is largely attributed to increases in the management and operation of Port's fuel pier facilities and in technical consulting services with our owner agent engineer (OAE).

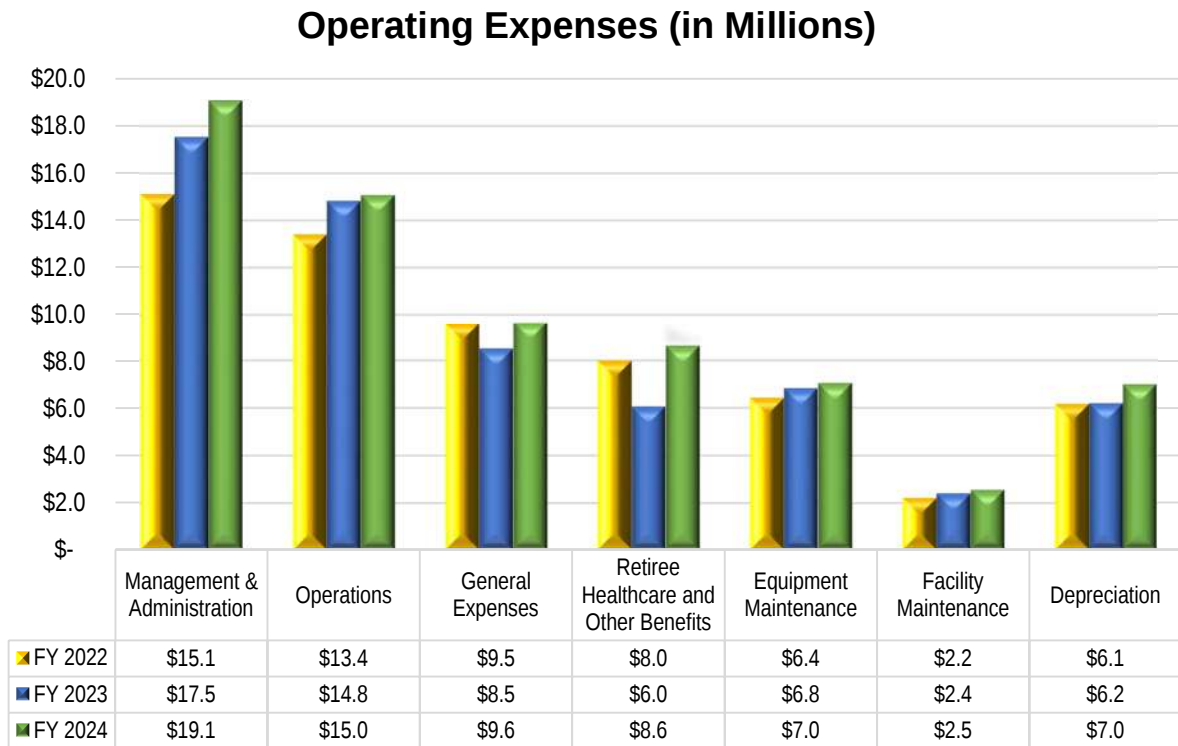
Port Authority of Guam
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Management’s Discussion and Analysis, continued

Financial Operating Highlights, continued

The \$167K decrease in utilities is due to an adjustment in the meter reading for water and wastewater services because a water meter was replaced in May 2024.

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



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, continued

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Nonoperating Revenues (Expenses)			
U.S. Government operating grants	\$4,586	\$2,758	\$16,274
Other income, net	5,025	382	207
Interest income (expense), net	3,393	2,629	(1,453)
Loss on disposal of property, plant and equipment	(68)	(27)	(12)
Impairment loss of depreciable capital assets	<u>---</u>	<u>(1,326)</u>	<u>---</u>
Total nonoperating revenues, net	<u>12,936</u>	<u>4,416</u>	<u>15,016</u>
Income before capital contributions	2,773	2,801	12,017
Capital contributions:			
U.S. Government capital grants	<u>563</u>	<u>1,794</u>	<u>561</u>
Increase in Net Position	<u>\$3,336</u>	<u>\$4,595</u>	<u>\$12,578</u>

Source: PAG Financial Audits.

With \$3.4M in net interest income, \$4.6M in U.S. government operating grants, and \$5.0M in net other income, the non-operating activities of FY 2024 resulted in a net revenue of \$12.9M. U.S. government operating grants of \$4.6M was an accumulation of grants from DOD, U.S. Department of Homeland Security (DHS), U.S. Environmental Protection Agency (EPA), U.S. Economic Development Administration (EDA), U.S. Department of Interior (DOI), and U.S. Department of Transportation (DOT).

Net other income increased significantly due to a \$5M interim payment provided by the underwriters of Port's property insurance coverage. The \$5M is a partial payment of the final agreed settlement figure, which is pending the loss adjusters' final analysis of the property damages claimed by Typhoon Mawar in FY 2023. 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).

The impairment loss of depreciable capital assets dropped from FY 2023 because a cut in asset value (impairment loss) is not a recurring expense. FY 2023's Typhoon Mawar damaged Golf Pier to the point of rendering it inoperable and requiring a \$1.3M cut to its value (impairment loss).

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

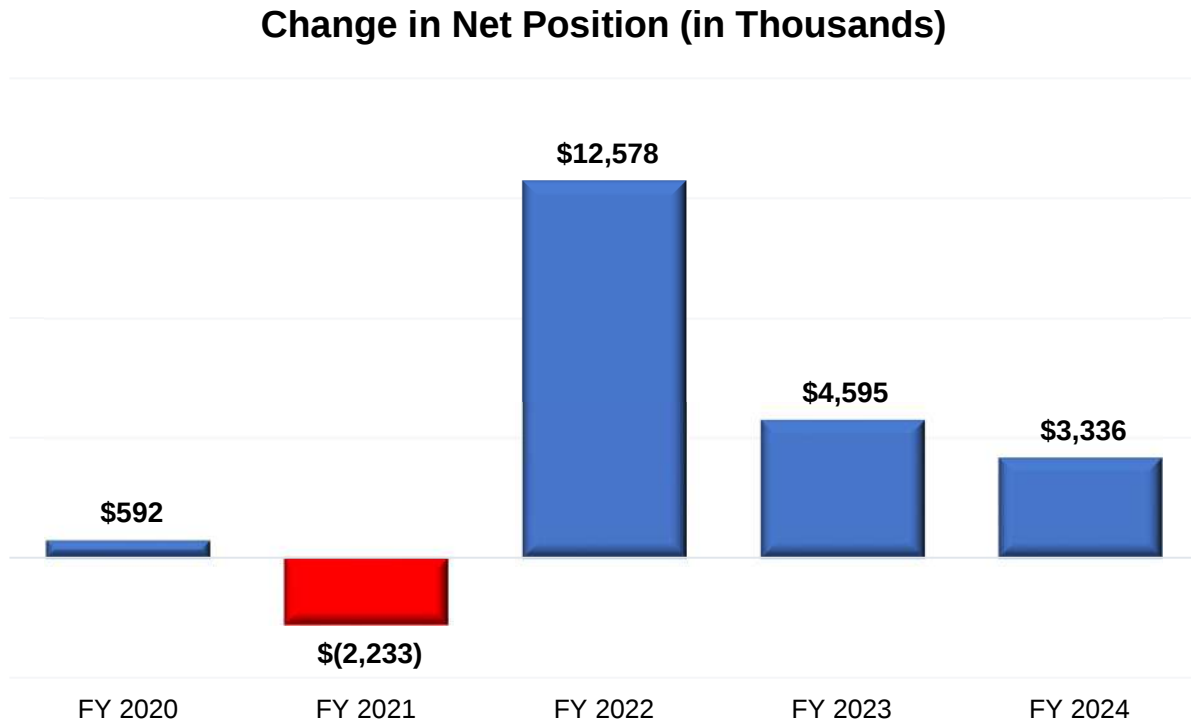
Financial Operating Highlights, continued

U.S. Government capital grants decreased by \$1.2M from the prior year because, in FY 2023, \$1.7M was reimbursed by DOT’s America’s Marine Highway Program (AMHP) for the purchase of container-handling equipment (i.e., side-loaders and top-loaders).

Before depreciation (a non-cash expense), the net result of operating revenues minus operating expenses in FY 2024 was an operating loss of \$3.2M. When adding back the \$7.0M non-cash expense of depreciation, the result is a \$10.2M operating loss in FY 2024.

After adding \$12.9M in net nonoperating revenues and \$563K in U.S. Government capital grants, Port concluded FY 2024 with a \$3.3M increase in net position (net income). Port's net position at the end of FY 2024 was \$34.3M.

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:



Source: PAG Financial Audits.

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

Capital Assets

Port's capital assets, net of accumulated depreciation, made up 42% of total assets – or \$127.0M as of FY 2024. Capital assets include land, equipment, buildings and improvements, and construction work in progress. In this context, the \$127.0M 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 GASB 87, *Leases*. During FY 2024, new assets and construction/capital improvement activities of \$25.6M were added, including a cumulative \$7.3M in capital construction/ improvement projects completed and placed in service.

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.

While aware of the potential consequences of delaying H-Wharf construction, 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 up to three 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. The repair estimate is currently under review by the Federal Emergency Management Agency (FEMA). 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.

Port Authority of Guam
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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. The first section of the new waterline near the fire water tank was successfully connected. Construction has begun near the main gate to connect the new waterline to the existing system. Additional work includes the installation of new fire hydrants as required by updated fire safety standards. Approximately 76% complete, waterline installation has now progressed as far as the LC3 generator and installation work is actively ongoing along Wharves F4 to F5. Estimated for completion in August 2025, this \$6M 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. Approximately 80% complete, structural repairs, repainting, and lead-based paint removal was completed. Electrical upgrades are currently in progress. With the arrival of materials for the new fire sprinkler system, installation will begin soon. This \$4.0M project is funded by Port's revenue bond proceeds and a Hazard Mitigation Program Grant.
5. Warehouse 1 Repairs and Upgrades: 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. Contract finalization is pending our Board of Directors' approval of the construction contract, as well as our project presentation for the review and clearance by the Public Utilities Commission (PUC). This \$4.2M project will be funded by Port's revenue bond proceeds and a Hazard Mitigation Program Grant.
6. 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). The more practical solution of constructing a new building, adjacent to the existing building and roughly estimated at \$15M – \$20M, remains on hold.

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

Capital Assets, continued

7. Financial Management System (FMS) Upgrade to Oracle JDE Enterprise One (E1): In May 2021, Port's E1 system went live. This \$3.1M project was a significant information technology (IT) endeavor aimed at upgrading the Port Authority of Guam's FMS from the 20-year-old Oracle JDE World (AS400) to Oracle JDE E1. An FMS is only one aspect of a business. However, E1 has the software and processes used to run every aspect of a business and connect those to the accounting ledgers, such as human resources, procurement, fixed assets, maintenance, and repair. While this project's cost was capitalized in June 2024, we continue to enhance E1's full capabilities through the use of its many modules.
8. 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. As of February 2025, our architectural and engineering (A&E) design consultant provided the 100% design submittal. Port is in discussions with EDA concerning the remaining project scope and exploring additional funding options and working with EDA on a possible amendment to the grant scope to help utilize the remaining grant funds. With an estimated cost of \$3.0M, \$2.4M will be funded by EDA, and Port will fund \$603K.
9. 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 will be working with the contractor's insurance/bond company to properly dispose 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.

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Management's Discussion and Analysis, continued

Debt Administration

As of September 30, 2024, Port had \$61.0M in outstanding revenue bonds. This decrease from the \$64.1M balance as of FY 2023 is due to payments against the principal debt.

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) for the year ended September 30 is as follows:

	<u>FY 2024</u>
Revenues ¹	\$50,370
Less Operations & Maintenance Expenses	<u>54,625</u>
Net Revenues	\$(4,255)
 Plus Other Available Monies	 \$15,386
Net Revenues & Other Available Monies	<u>\$11,131</u>
 Rate Covenant:	
Net Revenues & Other Available Monies	\$11,131
Total Annual Debt Service	\$ 5,755
 Annual Debt Service Coverage	 1.93
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.

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

Debt Administration, continued

As of October 2024, S&P Global Ratings 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 Global'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;
- Strong 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 and anticipated low additional debt needs.”

This stable outlook reflects S&P Global's “expectation that port activity will continue to demonstrate resilience in the aftermath of Typhoon Mawar, and remain near current levels,” as well as their “expectation that key financial metrics will remain sufficient for the rating and the port's debt capacity will remain strong.”

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 September 2024, 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 – which is above the assigned rating of Baa2 – Moody's constrained our credit rating (to Baa2) 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 2023 financials show unrestricted cash and cash equivalents of \$28.6 million, with unrestricted and discretionary reserves of \$51.8 million; [...] 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.”

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

Debt Administration, continued

The stable outlook reflects Moody's "expectation that operating revenue will remain healthy and continue to support solid debt service coverage and liquidity levels."

Moody's further noted that Port "has proven resilient in recent years. Despite an effective closure of the island's tourism economy from the coronavirus pandemic, the port's operating revenue between 2021 and 2023 averaged \$57.8 million, in-line with pre-pandemic figures." Moody's also acknowledged that although "in late May, Typhoon Mawar shut down port activities for several days, though early and prudent preparations limited the extent of damage, with sustained damage quickly remediated by the port."

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 42-year-old gantry cranes to maintain continuous, uninterrupted cargo movement;
- Replacement of the fuel piers to maintain continuous, uninterrupted fuel service;
- Replacement of 56-year-old wharves to increase vessel handling capacity and maintain continuous, uninterrupted cargo movement;
- Replacement 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 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;
- Upgrade of Port's 20-year-old financial management system into a more robust and modern system.

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

Port Modernization and Improvement, continued

The following are updates to Port's modernization initiatives:

1. Replacement of Gantry Cranes: We are in the process of acquiring three new STS gantry cranes to replace the 42-year-old gantry cranes currently in operation. While our three, existing gantry cranes can handle the forecasted container volumes associated with the military buildup, there is limited capacity to accommodate additional breakbulk volumes, as well as minimal flexibility for downtime to address crane maintenance and crane breakdowns. Though our existing cranes were refurbished in 2009, they were built in 1983 and previously operated by the Port of Los Angeles (POLA). In order to maintain continuous, uninterrupted cargo movement, we have been working diligently to explore every possibility for the funding and replacement of our three aging STS gantry cranes.
2. Area A Fuel Storage Facility Rehabilitation/Upgrade: This initiative would replace above-ground fuel storage tanks and related infrastructure to meet growing local, regional, and defense fuel demands. An upgraded facility will bolster energy resilience and align with Indo-Pacific military strategies. We are looking into the option of a public-private partnership arrangement to leverage private-sector expertise.
3. Agat Marina's Rehabilitated Dock B, New Restroom Facilities, and CCTV Cameras: In May 2024, we held a ribbon-cutting ceremony to unveil Agat Marina's rehabilitated Dock B, new restroom facilities, and closed-circuit television (CCTV) cameras. The rehabilitated Dock B provides an additional 48 slips for recreational boats and is designed to withstand wind, sea action, boat docking, and other loads throughout a 20-year design life. This \$1.5M rehabilitation was funded with Port funds and a U.S. Fish and Wildlife Service (DOI-FWS) grant, via Guam Department of Agriculture (DOAg).

The newly built restroom facilities, complete with outdoor showers, provide our community and tourists better accommodations while at the marina. The new restroom facilities were fully funded by Port at \$345K. The installation of CCTV cameras provides 24-hour surveillance to enhance the security and protection of all marina users, and was fully funded by Port at \$108K.

4. 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. As of FY 2024 ending, the next step was to issue a notice of award pending price confirmation with the lowest qualified bidder.

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

Port Modernization and Improvement, continued

5. 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 2024 Operating Results and FY 2025 Future Outlook

Distinguished Local Government Leadership

In February 2024, our General Manager was awarded the national AGA's (formerly "Association of Government Accountants") *2024 Distinguished Local Government Leadership Award*. This special honor formally recognizes local government professionals who exemplify and promote excellence in government financial management and who have demonstrated outstanding leadership in enhancing sound financial management legislation, regulations, practices, policies, and systems within the past year.

EQMR Dashboard

Recognizing the need for data-driven maintenance decisions based on operational necessity and reducing delays and human error, the Assistant Equipment Maintenance Manager implemented a new system for recording and tracking the status of all Port equipment and vehicles – EQMR Dashboard. With support from the EQMR Division, the EQMR Dashboard provides a centralized, interactive, digital interface that provides real-time updates on the status, performance, and maintenance needs of each piece of Port equipment. Information collected from the Dashboard helps prioritize maintenance work by tracking key metrics such as equipment downtime (tracking those that exceed 30, 60, and 90 days), parts availability and pending, and estimated completion times. The EQMR shops rely on the Dashboard for daily priority planning and to identify work orders that, although initially a low priority, have become urgent due to delays.

Desk Audit Policy

Dedicated to fostering fairness, transparency, and integrity, a new desk audit policy was created to take effect October 2024. The new policy will provide a formal process for reviewing positions when an employee believes their role has significantly expanded beyond their current classification. This new policy recognizes and rewards employees for expanded roles (boosting morale), supports organizational efficiency, and promotes equity in a transparent process that applies uniformly across the organization, while maintaining alignment with Port's organizational goals, operational needs, rules and regulations, and budgetary considerations.

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

Key Factors in FY 2024 Operating Results and FY 2025 Future Outlook, continued

Property Appraisal Update

To safeguard Port's critical infrastructure and operations – especially in the face of natural disasters, evolving market conditions, and Port's significance to the regional economy and national security – we hired a certified general real estate appraiser to update Port's property values for insurance coverage of full replacement value. The certified, appraised value of Port's properties – used for the FY 2025 property commercial insurance – is currently \$435.8M. The new appraised value is a 57% increase from the \$277.8M Port-estimated value used for the FY 2024 insurance. The FY 2024 Port-estimated value was a 13% increase from the FY 2023 property value of \$245.7M. In addition to Port's last property appraisal having occurred roughly 20 years ago, Port's insurance underwriters further supported the need for a new appraisal based on the following concerns: a multimillion-dollar insurance claim following the significant damage caused by Typhoon Mawar; and the rising costs following the economic impacts of the global COVID-19 pandemic.

Training

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

In August 2024, 21 employees attended the Gantry Crane Operator training – a 40-hour course designed to equip them with the knowledge and skills necessary to operate one of Port's most critical pieces of equipment. This training emphasized both the technical and safety aspects of crane operation, underscoring our commitment to the safety and professional development of our dockside team.

In August 2024, 33 employees attended the Rigging and Signal Person training over a two-day period. This course focused on the skills required for rigging and signaling which are essential for ensuring safe and efficient lifting operations. Proper rigging and signaling not only enhances operational efficiency but also significantly reduces the risk of accidents.

In August 2024, 18 employees attended Forklift Training, which is part of our broader strategy ensuring all employees who operate heavy equipment within the terminal yard are fully certified and capable of maintaining safety standards and equipment efficiency.

In August 2024, eight employees attended the Guam Community College's Procurement Basic Training Course. With a specific focus on GovGuam procurement law, this 18-hour course offers a comprehensive introduction to the public procurement process – essential principles, methods, and practices, ensuring students grasp the critical aspects of fiscal responsibility and legal compliance within the framework of Guam's procurement statutes.

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

Key Factors in FY 2024 Operating Results and FY 2025 Future Outlook, continued

Training, continued

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

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

Port Master Plan Update

In April 2023, Port's Board of Directors unanimously adopted the Port 2023 Master Plan. The 2023 Master Plan is focused on ensuring the future readiness and resiliency of a modernized facility through the hardening of Port assets and resources to address national security concerns from the current and anticipated geopolitical environment, as well as addressing continued professional and technical services oversight and support to address port sustainability and resiliency, environmental initiatives to reduce Port's carbon footprint and reduce its greenhouse effects, and strategic goals toward zero waste improvements. The master plan is currently under review by the Guam Bureau of Statistics and Plans, after which it will be forwarded to the Guam Legislature for the final 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.

To further these goals, Port secured a grant from DOD's Office of Local Defense Community Cooperation to conduct a port resiliency and sustainability study. This study would encompass several pivotal analyses, including zero-emission initiatives; zero-waste efforts; identifying Port properties suitable for hosting zero waste facilities, a recycling enterprise zone, and future waste management initiatives; and the use of recycled plastic to rebuild Family Beach Road. In September 2024, the study's subconsultant presented the following feasible solutions that would address the goals and objectives of the Zero Emissions (ZE) Strategy, greenhouse gas (GHG) emission results, and carbon reduction strategies by a target date:

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Management's Discussion and Analysis, continued

Key Factors in FY 2024 Operating Results and FY 2025 Future Outlook, continued

Port Sustainability, continued

- Direct actions (that would reduce emissions by potentially 20% or more) include the hybridization of the STS gantry cranes, electrification of passenger fleet, energy conservation measures, employee training programs, and sub-metering;
- Collaborative actions (that would reduce emissions by potentially 50% or more) include engagement and collaboration with Guam Power Authority (GPA); and
- Nature-based actions (that would reduce emissions by an estimated 7% or more) include restoration of the mangroves and forested areas of Port property, and engaging with wider initiatives, including a potential watershed strategy.

Other 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 a total of 15 Tier-4 ultra-low sulfur diesel (ULSD) terminal yard tractors and five 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 2024, we received four of the Tier-4 ULSD terminal yard tractors. To complete this grant, two more Tier-4 ULSD terminal tractors are anticipated for delivery in May 2025.
- 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. This grant will support our Net Zero Emissions Strategy Update and Implementation Plan to reduce emissions, strengthen climate resilience, and improve air quality for the community.

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.

Gantry Crane Purchase and Maintenance

Our three operational STS gantry cranes require immediate replacement, having been manufactured in 1983, and in continuous operation for 42 years. Though Port acquired these cranes refurbished in 2009, and managed its aging performance, operation, and maintenance, these cranes are beyond their serviceable life. Every delay in replacing these three cranes brings greater risk of operational disruptions that impact not just Guam, but U.S. interests in the Indo-Pacific.

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

Key Factors in FY 2024 Operating Results and FY 2025 Future Outlook, continued

Gantry Crane Purchase and Maintenance, continued

A crane sensitivity analysis, done by our OAE, provided the following inside look on the impact to the military buildup should our aged gantry cranes become inoperable. Currently, our three aging cranes are capable of handling approximately 192,000 containers per year, or approximately 64,000 lifts per crane per year.

- If all three STS cranes are operating and are replaced as they reach their useful life, there is no impact on the military buildup's cargo demand because our berth throughput capacity is higher than the forecasted buildup demand.
- If one STS crane is out of service for a long period of time, the berth throughput capacity would significantly decrease to 128,000 containers per year, which is lower than the forecasted buildup demand. With only two cranes in operation, an annual deficit of around 60,000 containers would be delayed to future years. To recoup, the military buildup could be delayed for up to four years and no additional capacity would be available for future live action operational readiness.
- If two STS cranes are out of service for a long period of time, the berth throughput capacity would dramatically decrease to a limit of only 64,000 containers per year, which is significantly lower than the organic demand for Port. With only one crane in operation, we would not have sufficient crane capacity to handle the organic cargo demand - let alone handle the additional demand from the military buildup.

When we experienced the downtime of all three gantry cranes, it was a stark reminder of the vulnerabilities in throughput capacity that would impact military readiness programs. As a strategic asset in the national supply chain and a designated strategic port, the port of Guam plays an essential role in ensuring the effectiveness and readiness of military operations. We remain committed to working closely with DOD and other stakeholders to ensure that our infrastructure is capable of supporting commercial activities and resilient enough to meet the demands of national security imperatives.

For the past six years, we have been working diligently to explore every possibility for the replacement of our three aging STS gantry cranes and various yard equipment. Our efforts have included an aggressive approach in all of our participation in national forums and face-to-face meetings with federal partners in past years. We have advocated for federal funding and Buy American Act waivers to secure cranes that align with U.S. defense standards and to avoid the significant cybersecurity and operational risks that come with buying foreign-made cranes. Without immediate federal support, we may face critical procurement decisions that could compromise U.S. security standards.

In the meantime, we have made extensive efforts to secure funding and our procurement and legal teams are currently working in collaboration with our OAE and subcontractor on the bid packet to procure three gantry cranes. However, even with a shift of resources from the Hotel Wharf construction project to support crane procurement, current funds may cover only one crane.

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

Key Factors in FY 2024 Operating Results and FY 2025 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. Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grant: DOT MARAD awarded Port a \$17.9M 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, as well as the deteriorating structure of the F1 Fuel Pier. Estimated at \$22.4M, Port will supplement with \$4.5M. Environmental assessment is ongoing, along with documentation for the Historic American Buildings Survey (HABS) and the Historic American Engineering Record (HAER) effort. DOT approved our no-cost scope modification to shift funding from the F1 Pier to supplement funding for Wharves F2-F6.
2. MARAD America's Marine Highway Grant: In addition to \$3.6M in Port funds, a \$5.7M grant from DOT MARAD's America's Marine Highway Program (AMHP) was awarded for the Guam Marine Transportation Enhancement Initiative to reduce congestion, alleviate supply chain bottlenecks, and move goods more quickly from ships to shelves. We have since received three 10-ton capacity side-loaders, two 40-ton capacity top-loaders, a 180-foot boom lift, and nine container yard tractors. Under this grant, we still have five 5.5-ton forklifts and two refrigerated container (reefer) generators to look forward to.
3. Guam Recovery Office/Guam Homeland Security-Office of Civil Defense Grant Program: In August 2024, the Guam Recovery Office issued official awards of funding under the FEMA Public Assistance grant program for Typhoon Mawar as follows: \$109K for the Load Centers, \$116K for Hagatna Marina, \$12K for Agat Marina, \$246K for Route 11 sidewalk and embankment, and \$8K for the Hotel Wharf Bulkhead.
4. DOI-FWS Boating Infrastructure Grants (BIG) Program: In October 2024, Port received \$275K for the Pre-Construction Planning Grant for a gangway and courtesy dock at the Guam Harbor of Refuge, via via Guam DOAg.
5. DOI-OIA MAP: A \$165K grant secured under the Generator Maintenance and Sustainment Program was awarded to provide an indefinite quantity of generator parts. Generator set maintenance/services and parts deliveries are ongoing monthly.
6. USDHS/FEMA Port Security Grant Program: Included in the \$125K received from the 2023 PSGP grant are the acquisition of two Port Police boat trailers and laptops, and the procurement of police personal protective equipment.

In June 2024, Port submitted a \$1.2M grant application under the 2024 Port Security Grant Program.

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

Key Factors in FY 2024 Operating Results and FY 2025 Future Outlook, continued

Federal Grants and Grant Opportunities, continued

7. DOI-FWS Sport Fish Restoration Program: In October 2024, Port was awarded \$120K for the Agat Marina Southern Walkway Repairs, via Guam DOAg.
8. 2024 National Telecommunications and Information Administration (NTIA) Digital Equity Competitive Grant Program: We submitted a grant proposal application for this U.S. Department of Commerce program that aims to ensure all communities have access to the internet and the necessary skills to fully participate in the digital world, regardless of circumstances. Our \$12M proposal would provide broadband services to five surrounding communities; establish hubs at the Hagatna and Agat Marinas for digital access and education; and upgrade and integrate our TOS to enhance operational capacity, efficiency, accessibility, and inclusivity.
9. 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.

Port Wellness

Recognizing that the well-being of its workforce is integral to Port's success, Management launched a comprehensive program that encourages all Port employees to participate in regular wellness activities. Port's wellness program underscores Management's dedication to fostering a healthy workplace environment, recognizing that a well-cared-for workforce is crucial to our success and sustainability.

The wellness program kicked off in June 2024 with a Seawall Walk, marking the beginning of a series of weekly events. Aimed at making wellness activities a regular feature at Port, each division takes responsibility at organizing a wellness event. Divisions have the flexibility to choose the date and time for their event, fostering a sense of ownership and creativity in promoting health and wellness.

Management recognizes that mental health is crucial for managing stress, building relationships, and making decisions; and that a healthy mind includes emotional, psychological, and social well-being, as well as physical fitness. Employees have since taken part in diverse wellness activities, such as stress management, nutrition, health screening, and smoking cessation, in addition to physical activities, such as walk/runs, bicycle rides, volleyball, and mix fit.

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

Key Factors in FY 2024 Operating Results and FY 2025 Future Outlook, continued

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 a 4th year – 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 three fiscal years – 2019, 2021, and 2022. Such achievements highlight our dedication to accountability and transparency.

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
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30, <u>2024</u>	<u>2023</u>
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 26,325,586	\$ 28,566,850
Cash and cash equivalents - restricted expendable	<u>56,888,261</u>	<u>52,082,406</u>
Total cash and cash equivalents	83,213,847	80,649,256
Accounts receivable, net of allowance for doubtful accounts of \$304,958 (\$313,048 in 2023)	10,685,477	9,675,564
Lease receivable	1,118,837	1,136,808
Federal receivables	2,545,705	2,770,123
Prepaid and other current assets	<u>420,366</u>	<u>428,618</u>
Total current assets	97,984,232	94,660,369
Cash and cash equivalents - restricted expendable	42,703,379	43,478,006
Replacement parts inventories, net of allowance for obsolescence of \$181,994 (\$260,007 in 2023)	986,415	1,005,653
Lease receivable, net of current portion	35,662,507	36,781,344
Lease asset, net	221,343	275,627
Depreciable capital assets, net	99,644,588	91,829,752
Nondepreciable capital assets	<u>27,336,082</u>	<u>29,754,448</u>
Total assets	<u>304,538,546</u>	<u>297,785,199</u>
Deferred outflows of resources from pension	16,845,496	22,908,372
Deferred outflows of resources from other post-employment benefits	<u>25,686,219</u>	<u>21,808,688</u>
Total deferred outflows of resources	<u>42,531,715</u>	<u>44,717,060</u>
Total assets and deferred outflows of resources	<u>\$347,070,261</u>	<u>\$342,502,259</u>

See accompanying notes.

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

Statements of Net Position, continued

	September 30, <u>2024</u>	<u>2023</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Current portion of long-term debt	\$ 2,955,000	\$ 2,820,000
Accounts payable, trade and others	4,042,600	4,090,157
Security deposits and other payables	379,492	299,405
Accrued payroll and withholdings	630,414	482,291
Current portion of accrued annual leave	1,778,045	1,639,899
Unearned revenue	<u>228,695</u>	<u>187,315</u>
Total current liabilities	10,014,246	9,519,067
Long-term debt, net of current portion	58,065,190	61,238,477
Net pension liability	69,669,348	73,373,540
Total collective other post-employment benefits liability	108,084,468	90,395,007
Accrued annual leave, net of current portion	694,506	775,529
Accrued DCRS sick leave	685,086	1,771,817
Lease liability	<u>228,319</u>	<u>279,303</u>
Total liabilities	<u>247,441,163</u>	<u>237,352,740</u>
Deferred inflows of resources from leases	35,966,578	37,378,079
Deferred inflows of resources from pension	4,076,146	2,886,803
Deferred inflows of resources from other post-employment benefits	<u>25,274,787</u>	<u>33,908,972</u>
Total deferred inflows of resources	<u>65,317,511</u>	<u>74,173,854</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	<u>116,222,937</u>	<u>106,617,092</u>
Restricted for:		
Debt service	39,484,304	36,465,031
Capital activities	9,251,542	8,343,692
Port operations	<u>814,680</u>	<u>2,310,620</u>
Total restricted – expendable	<u>49,550,526</u>	<u>47,119,343</u>
Unrestricted	<u>(131,461,876)</u>	<u>(122,760,770)</u>
Total net position	<u>34,311,587</u>	<u>30,975,665</u>
Total liabilities, deferred inflows of resources and net position	<u>\$347,070,261</u>	<u>\$342,502,259</u>

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30, <u>2024</u>	<u>2023</u>
Operating revenues:		
Cargo throughput charges	\$36,034,811	\$36,279,089
Equipment and space rental	10,063,590	10,533,903
Crane surcharge	5,942,844	5,928,689
Wharfage charges	6,316,966	6,183,998
Special services	118,400	97,874
Other operating income	190,539	1,676,928
Bad debts expense	<u>---</u>	<u>(85,457)</u>
Total operating revenues	<u>58,667,150</u>	<u>60,615,024</u>
Operating expenses:		
Management and administration	19,063,548	17,503,435
Retiree healthcare and other benefits	8,604,212	6,045,382
Equipment maintenance	7,019,342	6,827,448
Depreciation	6,974,319	6,188,620
Transportation services	6,170,584	6,084,351
Insurance	4,936,673	3,676,977
Stevedoring services	4,928,548	4,760,313
Terminal services	3,944,903	3,962,054
General expenses	2,722,065	2,696,970
Facility maintenance	2,518,296	2,369,296
Utilities	<u>1,948,123</u>	<u>2,115,471</u>
Total operating expenses	<u>68,830,613</u>	<u>62,230,317</u>
Loss from operations	<u>(10,163,463)</u>	<u>(1,615,293)</u>
Nonoperating revenues (expenses):		
U.S. Government grants	4,585,594	2,758,456
Interest income, net	3,392,625	2,629,387
Other income, net	5,025,490	381,380
Loss on disposal of property, plant and equipment	(67,210)	(26,913)
Impairment loss of depreciable capital assets	<u>---</u>	<u>(1,326,608)</u>
Total nonoperating revenues, net	<u>12,936,499</u>	<u>4,415,702</u>
Income before capital contributions	2,773,036	2,800,409
Contributed capital:		
U.S. Government capital grants	<u>562,886</u>	<u>1,794,210</u>
Increase in net position	3,335,922	4,594,619
Net position at beginning of year	<u>30,975,665</u>	<u>26,381,046</u>
Net position at end of year	<u>\$34,311,587</u>	<u>\$30,975,665</u>
<i>See accompanying notes.</i>		

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

Statements of Cash Flows

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 58,090,257	\$ 57,460,237
Cash payments to suppliers for goods and services	(19,227,068)	(17,724,306)
Cash payments to employees for services and benefits	(34,728,257)	(33,507,043)
Net cash provided by operating activities	<u>4,134,932</u>	<u>6,228,888</u>
Cash flows from investing activity - interest received	<u>5,415,535</u>	<u>4,535,586</u>
Cash flows from capital and related financing activities:		
Capital grants received	562,886	1,794,211
Repayment of long-term debt	(2,820,000)	(2,685,000)
Interest paid	(2,900,892)	(3,035,044)
Purchase of property, plant and equipment	(12,437,999)	(13,653,256)
Net cash used in capital and related financing activities	(17,596,005)	(17,579,089)
Cash flows from non-capital related financing activities:		
Operating grants received	4,810,012	999,116
Other non-capital activities	<u>5,025,490</u>	<u>381,380</u>
Cash provided by non-capital related financing activities	<u>9,835,502</u>	<u>1,380,496</u>
Net increase (decrease) in cash and cash equivalents	1,789,964	(5,434,119)
Cash and cash equivalents at beginning of year	<u>124,127,262</u>	<u>129,561,381</u>
Cash and cash equivalents at end of year	<u>\$125,917,226</u>	<u>\$124,127,262</u>
Reconciliation to statement of net position:		
Cash and cash equivalents - current	\$ 26,325,586	\$ 28,566,850
Cash and cash equivalents - restricted current	56,888,261	52,082,406
Cash and cash equivalents - restricted non-current	<u>42,703,379</u>	<u>43,478,006</u>
	<u>\$125,917,226</u>	<u>\$124,127,262</u>

See accompanying notes.

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

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Reconciliation of loss from operations to net cash provided by operating activities:		
Loss from operations	\$(10,163,463)	\$(1,615,293)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Noncash pension expenses	11,237,239	5,130,166
Depreciation	6,974,319	6,188,620
Noncash other post-employment benefit costs	7,823,102	8,431,036
Lease amortization	386,256	385,943
Bad debts expense	---	85,457
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,009,913)	(3,437,596)
Prepaid and other current assets	10,298	(12,309)
Replacement parts inventories, net	19,238	(280,876)
Accounts payable, trade and others	(47,557)	456,250
Security deposits and other payables	80,087	(125,522)
Accrued payroll and withholdings	148,123	34,957
Accrued annual leave	57,123	78,717
Unearned revenue	41,380	(194,288)
Accrued DCRS sick leave	(1,086,731)	19,201
Net pension liability	(7,689,212)	(6,732,170)
Total collective other post-employment benefits liability	(2,645,357)	(2,183,405)
Net cash provided by operating activities	\$ <u>4,134,932</u>	\$ <u>6,228,888</u>

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2024 and 2023

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, 2024 and 2023 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, 2024 and 2023 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, 2024 and 2023 receivables that are more than thirty days past due totaled \$832,411 and \$1,473,329, 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 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.

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

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

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

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

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, 2024 and 2023.

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.

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

Recently Adopted Accounting Pronouncement

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The adoption of this statement does not have material effect on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The adoption of this statement does not have material effect on the financial statements.

Upcoming Accounting Pronouncements

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

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

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. GASB Statement No. 102 will be effective for fiscal years ending September 30, 2025.

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.

Port Authority of Guam
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Notes to Financial Statements, continued

1. Organization and Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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.

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

Reclassifications

Certain reclassifications of assets have been made to the 2023 statement of net position and statement of cash flows for comparative purposes. Such reclassifications had no effect on the previously reported net income before capital contributions.

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
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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, 2024 and 2023, the carrying amount of the Authority's cash and cash equivalents totaled \$125,917,226 and \$124,127,262, and the corresponding bank balance was \$126,063,373 and \$124,374,590, respectively. Of that bank balance, \$6,565,805 and \$4,836,405 were uninsured and uncollateralized, respectively as of September 30, 2024 and 2023.

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

	<u>2024</u>	<u>2023</u>
Current restricted:		
2018 Bond Indenture Funds		
Working capital reserve fund	\$ 6,389,071	\$ 4,448,505
Debt service fund	1,438,402	1,439,094
Revenue fund	4,812,297	5,500,032
Capital improvement fund	11,191,162	10,648,639
Operations and maintenance fund	396	1,113
Renewal and replacement reserve fund	3,900,000	3,500,000
Operations and maintenance reserve fund	11,752,976	10,552,975
Bond reserve fund	<u>7,337,736</u>	<u>5,337,736</u>
	<u>46,822,040</u>	<u>41,428,094</u>
PUC Restricted Funds:		
Crane replacement sinking fund	9,251,542	8,343,692
Facility maintenance fund	<u>814,679</u>	<u>2,310,620</u>
	<u>10,066,221</u>	<u>10,654,312</u>
Total restricted cash and cash equivalents - current	56,888,261	52,082,406
Noncurrent restricted:		
2018 Bond Indenture Fund - Construction fund	<u>42,703,379</u>	<u>43,478,006</u>
	<u>\$99,591,640</u>	<u>\$95,560,412</u>

Port Authority of Guam
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Notes to Financial Statements, continued

3. Capital Assets

A summary of changes in capital assets for the years ended September 30, 2024 and 2023 is as follows:

	Beginning Balance <u>October 1, 2023</u>	Transfers and Additions	Transfers and Deletions	Ending Balance September <u>30, 2024</u>
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>

Port Authority of Guam
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Notes to Financial Statements, continued

3. Capital Assets, continued

	Beginning Balance <u>October 1, 2022</u>	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2023
Depreciable:				
Buildings	\$146,261,137	\$ 823,461	\$(1,728,504)	\$145,356,094
Equipment	<u>36,357,234</u>	<u>1,668,153</u>	<u>(291,694)</u>	<u>37,733,693</u>
	182,618,371	2,491,614	(2,020,198)	183,089,787
Less accumulated depreciation	<u>(85,738,092)</u>	<u>(6,188,620)</u>	<u>666,677</u>	<u>(91,260,035)</u>
	<u>96,880,279</u>	<u>(3,697,006)</u>	<u>(1,353,521)</u>	<u>91,829,752</u>
Non-depreciable:				
Land	3,563,000	---	---	3,563,000
Construction work-in-progress	<u>15,029,806</u>	<u>12,915,342</u>	<u>(1,753,700)</u>	<u>26,191,448</u>
	<u>18,592,806</u>	<u>12,915,342</u>	<u>(1,753,700)</u>	<u>29,754,448</u>
Lease assets - Equipment	---	344,533	---	344,533
Less accumulated amortization	<u>---</u>	<u>(68,906)</u>	<u>---</u>	<u>(68,906)</u>
	<u>---</u>	<u>275,627</u>	<u>---</u>	<u>275,627</u>
Total	<u>\$115,473,085</u>	<u>\$ 9,493,963</u>	<u>\$(3,107,221)</u>	<u>\$121,859,827</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
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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 a lump sum amount of \$2,300. 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
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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 29.43% and 28.43% for the years ended September 30, 2024 and 2023, respectively. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2024 and 2023.

The Authority's contributions to the DB Plan for the years ended September 30, 2024 and 2023 were \$4,695,222 and \$3,231,869, 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, 2024 and 2023 were \$1,094,404 and \$1,074,615, 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.

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

Statutory employer contributions for the DCRS plan for the years ended September 30, 2024 and 2023 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, 2024 and 2023 were \$2,361,839 and \$3,283,367, respectively, which was equal to the required contributions for the respective years then ended. Of these amounts, \$1,864,272 and \$2,567,332 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2024 and 2023, 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, 2024	September 30, 2023
Measurement Date:	September 30, 2023	September 30, 2022
Valuation Date:	September 30, 2022	September 30, 2021

Pension Liability: At September 30, 2024 and 2023, the Authority reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2023 and 2022, respectively, which is comprised of the following:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	\$55,171,590	\$60,381,635
Ad Hoc COLA/supplemental annuity Plan for DB retirees	10,852,390	10,332,672
Ad Hoc COLA Plan for DCRS retirees	<u>3,645,368</u>	<u>2,659,233</u>
	<u>\$69,669,348</u>	<u>\$73,373,540</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, 2024 and 2023, the Authority's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	3.95%	4.06%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	4.04%	4.03%
Ad Hoc COLA Plan for DCRS retirees	4.65%	4.42%

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

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, 2024 and 2023, the Authority recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	\$ 9,565,682	\$8,266,143
Ad Hoc COLA/supplemental annuity Plan for DB retirees	1,000,801	(1,835)
Ad Hoc COLA Plan for DCRS retirees	<u>670,756</u>	<u>166,728</u>
	<u>\$11,237,239</u>	<u>\$8,431,036</u>

Deferred Outflows and Inflows of Resources: At September 30, 2024 and 2023, the Authority reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2024</u>					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan or DCRS Retirees</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>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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>

	<u>2023</u>					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB Retirees</u>		<u>Ad Hoc COLA Plan or DCRS Retirees</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>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,170,626	\$161,465	\$ ---	\$ 88,306	\$ 328,876	\$ 52,669
Net difference between projected and actual earnings on pension plan investments	13,607,946	---	---	---	---	---
Changes of assumptions	---	---	16,865	1,121,173	552,932	712,316
Contributions subsequent to the measurement date	5,799,201	---	933,815	---	140,800	---
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>324,793</u>	<u>---</u>	<u>---</u>	<u>74,525</u>	<u>32,518</u>	<u>676,349</u>
	<u>\$20,902,566</u>	<u>\$161,465</u>	<u>\$950,680</u>	<u>\$1,284,004</u>	<u>\$1,055,126</u>	<u>\$1,441,334</u>

Port Authority of Guam
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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, 2024 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>
2025	\$1,974,234	\$(699,535)	\$ 17,628
2026	964,880	(123,572)	17,624
2027	3,695,486	---	17,627
2028	(625,214)	---	21,314
2029	---	---	16,811
Thereafter	<u>---</u>	<u>---</u>	<u>(161,831)</u>
	<u>\$6,009,386</u>	<u>\$(823,107)</u>	<u>\$(_ 70,827)</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%
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year 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 long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate range of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
Mortality	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

Inflation:	2.50% per year
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year 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 Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Port Authority of Guam
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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 for DCRS Retirees:

Inflation:	2.50% per year
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year 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 Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

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%	7.88%	2.05%
U.S. Equities (small cap)	4.0%	9.44%	0.38%
Non-U.S. Equities	17.0%	10.16%	1.73%
Non-U.S. Equities (emerging markets)	3.0%	12.09%	0.36%
U.S. Fixed Income (aggregate)	22.0%	4.71%	1.04%
Risk Parity	8.0%	6.64%	0.53%
High Yield Bonds	8.0%	6.52%	0.52%
Global Real Estate (REITs)	2.5%	9.38%	0.23%
Global Equity	7.5%	8.73%	0.65%
Global Infrastructure	2.0%	8.20%	0.16%
Expected average return for one year			7.66%
Expected geometric mean (30 years)			6.94%

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, 2024 was 4.09% (4.02% at September 30, 2023), which is equal to the rate of return of a high-quality bond index

Port Authority of Guam
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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: 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>\$67,757,172</u>	<u>\$55,171,590</u>	<u>\$44,398,198</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Net Pension Liability	<u>\$11,840,804</u>	<u>\$10,852,390</u>	<u>\$9,989,147</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Net Pension Liability	<u>\$4,114,231</u>	<u>\$3,645,368</u>	<u>\$3,248,922</u>

C. Payables to the Pension Plans

As of September 30, 2024 and 2023, the Authority recorded payables to GGRF of \$18 and \$8,672, respectively, 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, 2024 and 2023, 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, 2024	September 30, 2023
Measurement Date:	September 30, 2023	September 30, 2022
Valuation Date:	September 30, 2022	September 30, 2022

Collective total OPEB liability as of September 30, 2024 and 2023 is \$108,084,468 and \$90,395,007, respectively.

Proportionate share of total OPEB liability at September 30, 2024 and 2023 is 3.95% and 3.94%, 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:	2.50%
Discount rate:	4.09%, compounded annually, based on a tax-exempt, high quality municipal bond rate. Previously 4.02%, as of September 30, 2022.
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. (Previously, 7.5% for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years, and 4% for service after 15 years.)
Healthcare cost trend rate:	Non-Medicare, Medicare claims and retiree contributions - 8% for FY2023, then 26%, 14% and 0% for FY2024 for non-medicare, medicare claims, and retiree contributions, respectively. 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years.

The trend rates reflect actual changes in plan costs and retiree contributions through October 1, 2024. Trend assumptions for healthcare begin at current levels and grade down over a period of years to a 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 are applied to claim cost and retiree contributions. The trend rates for Medicare Part B and Part D reimbursements are assumed to be 4.25% in year 1 and 3.64% in year 2 to reflect the actual changes in costs through October 1, 2024 and 4.25% per year in subsequent years.

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Notes to Financial Statements, continued

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

B. Total OPEB Liability, continued

Dental trend rates:	For claims and retiree contributions, 4.25% for year 1 and 8.21% and 0% for claims and retiree contributions, respectively for year two. For subsequent years, rate will be 4.25% based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Mortality rates:	PUB-2010 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.
Participation rates:	Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement. Dental - 100% of active employees under a GovGuam dental plan will elect to participate at retirement. Life - 100% of eligible retirees will elect to participate at retirement. Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrollment assumption below.
Medical enrollment:	Based on current over-65 retiree data, 55% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 28, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
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.

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Notes to Financial Statements, continued

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

B. Total OPEB Liability, continued

Actuarial cost method: Entry Age post-employment Normal. The costs of each employee's 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, 2022 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 4.09%. 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>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
OPEB Liability	<u>\$125,286,908</u>	<u>\$108,084,468</u>	<u>\$94,123,876</u>

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.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
OPEB Liability	<u>\$91,991,439</u>	<u>\$108,084,468</u>	<u>\$128,692,298</u>

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Notes to Financial Statements, continued

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

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

For the years ended September 30, 2024 and 2023, the Authority recognized OPEB expense of \$7,823,102 and \$5,130,166. At September 30, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 3,652,272	\$20,710,111	\$ 8,149,942	\$29,750,951
Difference between expected and actual experience	16,537,852	4,564,676	7,049,508	4,156,797
Contributions subsequent to the measurement date	2,213,062	---	1,898,586	---
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>3,283,033</u>	<u>---</u>	<u>4,710,652</u>	<u>1,224</u>
	<u>\$25,686,219</u>	<u>\$25,274,787</u>	<u>\$21,808,688</u>	<u>\$33,908,972</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:

2025	\$ 1,544,283
2026	(731,753)
2027	(1,007,695)
2028	(1,730,339)
2029	(1,730,339)
Thereafter	<u>1,854,213</u>
	<u>\$ (1,801,630)</u>

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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>2024</u>	<u>2023</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	16,965,000
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>12,635,000</u>	<u>13,090,000</u>
Total long-term debt	57,215,000	60,035,000
Less current portion	(<u>2,955,000</u>)	(<u>2,820,000</u>)
	54,260,000	57,215,000
Add premium on bonds	<u>3,805,190</u>	<u>4,023,477</u>
	<u>\$58,065,190</u>	<u>\$61,238,477</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, 2024, the debt service for the series bonds was \$5,756,618 or approximately 11% of pledged gross revenues.

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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, 2024, 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>
2025	\$ 2,955,000	\$ 2,801,618	\$ 5,756,618
2026	3,085,000	2,670,118	5,755,118
2027	3,225,000	2,531,183	5,756,183
2028	3,370,000	2,383,413	5,753,413
2029	1,350,000	2,229,000	3,579,000
2030 through 2034	7,820,000	10,063,750	17,883,750
2035 through 2039	9,985,000	7,902,500	17,887,500
2040 through 2044	12,740,000	5,144,750	17,884,750
2045 through 2049	<u>12,685,000</u>	<u>1,624,000</u>	<u>14,309,000</u>
	<u>\$57,215,000</u>	<u>\$37,350,332</u>	<u>\$94,565,332</u>

Changes in long-term bank debt for the year ended September 30, 2024 and 2023 are as follows:

	<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>
	<u>Outstanding at September 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding at September 30, 2023</u>	<u>Current</u>	<u>Noncurrent</u>
2018 Series A bonds	\$29,980,000	\$ ---	\$ ---	\$29,980,000	\$ ---	\$29,980,000
2018 Series B bonds	19,505,000	---	(2,540,000)	16,965,000	2,365,000	14,600,000
2018 Series C bonds	13,235,000	---	(145,000)	13,090,000	455,000	12,635,000
Unamortized premium on 2018 Series bonds	<u>4,260,012</u>	<u>---</u>	<u>(236,535)</u>	<u>4,023,477</u>	<u>---</u>	<u>4,023,477</u>
	<u>\$66,980,012</u>	<u>\$ ---</u>	<u>\$(2,921,535)</u>	<u>\$64,058,477</u>	<u>\$2,820,000</u>	<u>\$61,238,477</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, 2024 and 2023. 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, 2024 and 2023, 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.

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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 2024 and 2023 were as follows:

	Outstanding at September 30, 2023	Increases	Decreases	Outstanding at September 30, 2024	Current	Noncurrent
Accrued annual leave	\$ 2,415,428	\$ 1,881,978	\$(1,824,855)	\$ 2,472,551	\$1,778,045	\$ 694,506
Accrued sick leave	1,771,817	414,858	(1,501,589)	685,086	---	685,086
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>
	Outstanding at September 30, 2022	Increases	Decreases	Outstanding at September 30, 2023	Current	Noncurrent
Accrued annual leave	\$ 2,336,711	\$ 1,725,965	\$(1,647,248)	\$ 2,415,428	\$1,639,899	\$ 775,529
Accrued sick leave	1,752,616	1,106,823	(1,087,622)	1,771,817	---	1,771,817
Lease liabilities	---	344,533	(65,230)	279,303	---	279,303
Net pension liability	54,733,058	18,640,482	---	73,373,540	---	73,373,540
OPEB liability	<u>107,471,269</u>	<u>---</u>	<u>(17,076,262)</u>	<u>90,395,007</u>	<u>---</u>	<u>90,395,007</u>
	<u>\$166,293,654</u>	<u>\$21,817,803</u>	<u>\$(19,876,362)</u>	<u>\$168,235,095</u>	<u>\$1,639,899</u>	<u>\$166,595,196</u>

7. Major Customers

For the years ended September 30, 2024 and 2023, the Authority has three major shipping agency customers that collectively accounted for 68% and 71% 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.

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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 \$10,063,590 and \$10,533,903 for the years ended September 30, 2024 and 2023, respectively. Of those amounts, the Authority earned variable lease revenue of \$8,652,088 and \$9,122,401 for the years ended September 30, 2024 and 2023, respectively, not previously included in measurement of the lease receivable.

A summary of changes in lease receivable for the year ended September 30, 2024 and 2023 is as follows:

<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>
<u>\$37,918,152</u>	<u>\$666,333</u>	<u>\$(1,803,141)</u>	<u>\$36,781,344</u>	<u>\$1,118,837</u>	<u>\$35,662,507</u>
<u>Beginning Balance</u> <u>September 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u> <u>September 30, 2023</u>	<u>Current</u>	<u>Noncurrent</u>
<u>\$39,036,989</u>	<u>\$684,305</u>	<u>\$(1,803,142)</u>	<u>\$37,918,152</u>	<u>\$1,136,808</u>	<u>\$36,781,344</u>

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>
2025	\$ 1,118,837	\$ 648,042	\$ 1,766,879
2026	1,173,716	629,426	1,803,142
2027	1,023,054	610,897	1,633,951
2028	960,730	593,774	1,554,504
2029	977,414	577,090	1,554,504
2030 - 2034	4,779,657	2,634,079	7,413,736
2035 - 2039	5,152,742	2,197,679	7,350,421
2040 - 2044	4,531,068	1,761,590	6,292,658
2045 - 2049	4,922,773	1,333,410	6,256,183
2050 - 2054	5,391,659	864,525	6,256,184
2055 - 2059	5,905,204	350,979	6,256,183
2060 - 2062	<u>844,490</u>	<u>8,765</u>	<u>853,255</u>
	<u>\$36,781,344</u>	<u>\$12,210,256</u>	<u>\$48,991,600</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. A dashboard project expenditure summary was provided to the Authority by MARAD and was used as the basis for recording of capital assets. The appropriation from the USDOD has a remaining \$2,600,000 which has been reprogrammed for the maintenance of the capital assets and for acquisition of equipment.

Port Authority of Guam
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Notes to Financial Statements, continued

9. Commitments and Contingencies, continued

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, 2024 and 2023.

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.

Contract Commitments

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.

As of September 30, 2023, the Authority has various on-going construction contracts with a total contract price of \$76.0 million, of which \$17.3 million has been recorded as construction work-in-progress.

Purchase Commitments

As of September 30, 2024 and 2023, the Authority has outstanding purchase orders for various equipment purchases totaling \$9,267,499 and \$1,958,182, 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>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	\$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	3.95%	4.06%	4.05%	4.01%	3.86%	3.48%	3.48%	3.20%	3.09%
PAG's covered payroll**	\$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	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	59.17%	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%

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

** Covered 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>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	\$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%	4.03%	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>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	\$3,645,368	\$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	4.65%	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>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	\$ 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>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>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>\$21,106,111</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	27.84%	24.30%	23.64%	22.77%	23.86%	26.44%	24.65%	24.57%	26.30%

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

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

	<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	\$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	3.95%	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.

Port Authority of Guam
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Notes to Required Supplementary Information (Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in the 2023 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,402,000 per year.

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,798,000 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
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Schedule of Details of Operating Expenses

Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Management and administration		
Management:		
Salaries and wages - regular	\$ 838,352	\$ 726,390
Pension cost	417,854	282,196
Annual leave	78,688	59,823
Fringe benefits	59,311	41,683
Benefits - Government contribution	12,518	11,745
Salaries and wages - overtime	4,680	4,347
Office supplies	3,022	2,925
Miscellaneous	<u>63,039</u>	<u>46,960</u>
Total management	<u>1,477,464</u>	<u>1,176,069</u>
Administration:		
Salaries and wages - regular	9,080,173	9,095,708
Pension cost	4,501,082	3,483,004
Fringe benefits	1,006,475	829,783
Annual leave	823,744	758,975
Repairs and maintenance	740,013	771,970
Salaries and wages - overtime	272,161	273,541
Furnishings and equipment	181,808	187,083
Benefits - Government contribution	134,498	130,696
Salaries and wages - other	98,514	96,049
Operational supplies	66,450	89,730
Office supplies	31,533	28,815
Miscellaneous	<u>649,633</u>	<u>582,012</u>
Total administration	<u>17,586,084</u>	<u>16,327,366</u>
Total management and administration	<u>\$19,063,548</u>	<u>\$17,503,435</u>

Port Authority of Guam
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Schedule of Details of Operating Expenses, continued

	<u>2024</u>	<u>2023</u>
Equipment maintenance		
Salaries and wages - regular	\$2,786,889	\$2,930,816
Pension cost	1,502,951	1,118,648
Operational supplies	680,006	950,856
Repairs and maintenance	619,519	541,499
Fringe benefits	456,498	348,572
Salaries and wages - overtime	358,567	355,132
Annual leave	255,568	238,812
Salaries and wages - other	196,925	173,864
Furnishings and equipment	26,993	33,081
Office supplies	3,909	3,941
Benefits - Government contribution	(22,163)	34,688
Miscellaneous	<u>153,680</u>	<u>97,539</u>
 Total equipment maintenance	 <u>\$7,019,342</u>	 <u>\$6,827,448</u>
Transportation services		
Salaries and wages - regular	\$2,863,398	\$2,977,531
Pension cost	1,445,986	1,160,665
Salaries and wages – overtime	522,520	619,089
Fringe benefits	438,861	359,687
Gas, oil and diesel	351,648	426,461
Annual leave	250,207	234,520
Salaries and wages – other	239,904	238,659
Benefits – Government contribution	53,407	54,112
Furnishings and equipment	2,182	2,641
Office supplies	1,329	1,652
Operational supplies	1,142	857
Miscellaneous	<u>---</u>	<u>8,477</u>
 Total transportation services	 <u>\$6,170,584</u>	 <u>\$6,084,351</u>

Port Authority of Guam
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Schedule of Details of Operating Expenses, continued

	<u>2024</u>	<u>2023</u>
Stevedoring services		
Salaries and wages - regular	\$2,427,364	\$2,554,652
Pension cost	1,182,588	927,108
Salaries and wages – overtime	568,387	595,450
Fringe benefits	341,124	263,170
Annual leave	192,713	184,637
Salaries and wages – other	168,981	170,503
Benefits – Government contribution	45,256	63,530
Operational supplies	1,071	800
Office supplies	838	55
Furnishings and equipment	<u>226</u>	<u>408</u>
Total stevedoring services	<u>\$4,928,548</u>	<u>\$4,760,313</u>
Facility maintenance		
Salaries and wages - regular	\$1,196,646	\$1,204,971
Pension cost	615,949	469,188
Operational supplies	175,265	191,921
Fringe benefits	227,033	182,523
Salaries and wages - overtime	146,659	146,149
Annual leave	100,246	89,885
Benefits - Government contribution	9,220	19,432
Salaries and wages – other	19,409	13,778
Repairs and maintenance	---	12,935
Furnishings and equipment	7,675	6,610
Operating expenses	7,012	---
Office supplies	60	---
Miscellaneous	<u>13,122</u>	<u>31,904</u>
Total facility maintenance	<u>\$2,518,296</u>	<u>\$2,369,296</u>

Port Authority of Guam
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Schedule of Details of Operating Expenses, continued

	<u>2024</u>	<u>2023</u>
Terminal services:		
Salaries and wages - regular	\$2,038,083	\$2,218,144
Pension cost	1,015,701	789,776
Salaries and wages – overtime	293,373	374,847
Fringe benefits	245,609	186,907
Annual leave	180,812	159,312
Salaries and wages – other	123,861	129,337
Benefits – Government contribution	34,784	91,563
Office supplies	6,947	5,306
Operational supplies	4,927	4,961
Furnishings and equipment	806	629
Miscellaneous	<u>---</u>	<u>1,272</u>
Total terminal services	<u>\$3,944,903</u>	<u>\$3,962,054</u>
General expenses:		
Managers' fee	\$1,338,718	\$1,053,664
Tech Service	340,471	131,728
Professional services	267,063	389,040
Maintenance	263,693	418,432
Port incentive award	133,123	137,635
Waste removal	105,282	257,235
Contingencies	76,613	875
Workmen's compensation injury allowance	48,677	5,018
Audit	22,080	66,500
Claims and damages	15,500	7,605
Board of Directors expense	8,250	8,800
Agency fee	7,280	7,103
U.S. Department of Defense – Office of Economic Adjustment	<u>---</u>	74,467
Inventory adjustment	(65,786)	17,402
Miscellaneous	<u>161,101</u>	<u>121,466</u>
Total general expenses	<u>\$2,722,065</u>	<u>\$2,696,970</u>

Port Authority of Guam
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Schedule of Summary of Salaries and Wages

Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Salaries and wages - regular	\$21,230,905	\$21,708,212
Salaries and wages – overtime	2,166,347	2,368,555
Fringe benefits	2,774,911	2,212,325
Salaries and wages - other	847,594	822,190
Benefits – Government contribution	<u>267,520</u>	<u>405,766</u>
	<u>\$27,287,277</u>	<u>\$27,517,048</u>

Port Authority of Guam
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Employees by Department

Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Department:		
Management and administration	149	142
Stevedoring services	49	52
Equipment maintenance	55	56
Transportation services	50	55
Terminal services	41	38
Facility maintenance	<u>31</u>	<u>27</u>
	<u>375</u>	<u>370</u>