PORT AUTHORITY OF GUAM
(A COMPONENT UNIT OF
THE GOVERNMENT OF GUAM)

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2020 AND 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Port Authority of Guam:

Report on Financial Statements

We have audited the accompanying financial statements of the Port Authority of Guam (the Authority), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority of Guam as of September 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 11 to the financial statements, the Authority's operations have been affected by the recent and ongoing outbreak of the coronavirus disease. As a result of the spread of the COVID-19 coronavirus, governments worldwide implemented actions to restrict travel and economic activities. The ultimate disruption which may be caused by the outbreak is uncertain, therefore, the actual impact on the Authority's business, results of operations, and financial position for fiscal year 2021 and beyond is currently not determinable. Our conclusion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 19 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 56 through 58, the Schedule of Pension Contributions on page 59, the Schedule of Changes in the Proportional Share of the Total OPEB Liability and Related Ratios on page 60, the Schedule of Proportional Share of the Total OPEB Liability on page 61, and the Schedule of OPEB Contributions on page 62 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of details of operating expenses and the summary of salaries and wages on pages 63 through 67 are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of details of operating expenses and the summary of salaries and wages are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of details of operating expenses and the summary of salaries and wages are fairly stated, in all material respects, in relation to the financial statements as a whole.

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Other Matters, Continued

Other Financial Information, Continued

The schedule of employees by department on page 68 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021 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.

Deloitte & Touche LLP

March 31, 2021

The following Management's Discussion and Analysis (MD&A) of the Port Authority of Guam (PAG, Port, Authority) provides an overview of the activities and financial performance for the fiscal years ended September 30, 2020, and 2019. The information contained in this MD&A has been prepared by management. It should be considered in conjunction with the financial statements and the accompanying notes which follow this section and are integral to the data contained in the financial statements.

ABOUT THE AUTHORITY

The Port Authority of Guam was established as a public corporation and an autonomous agency of the Government of Guam by Public Law 13-87 in October 1975. The Port operates the only commercial seaport in the Territory of Guam, and is the primary seaport in Micronesia. It serves the largest U.S. deep-water port in the region and currently handles about 1-2 million tons of cargo a year. The Port owns five cargo-handling piers along with two fuel piers and three marinas. The cost of operations and capital improvements are funded largely from the Authority's own revenues.

The Authority is presided over by five board members appointed by the Governor of Guam with the advice and consent of the Legislature. The Board of Directors appoints the General Manager and Deputy General Managers who are responsible for the maintenance, operation, and development of the Port and the agency's business affairs.

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

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

It is our objective to modernize the Port as a first class facility in the region providing cargo handling services in a safe, efficient and sustainable manner. To achieve this, the Port must increase capacity, execute infrastructure development and Port expansion to meet the community's organic growth and the impending military buildup, promote economic growth and opportunities for maritime related industries and address the needs of port users.

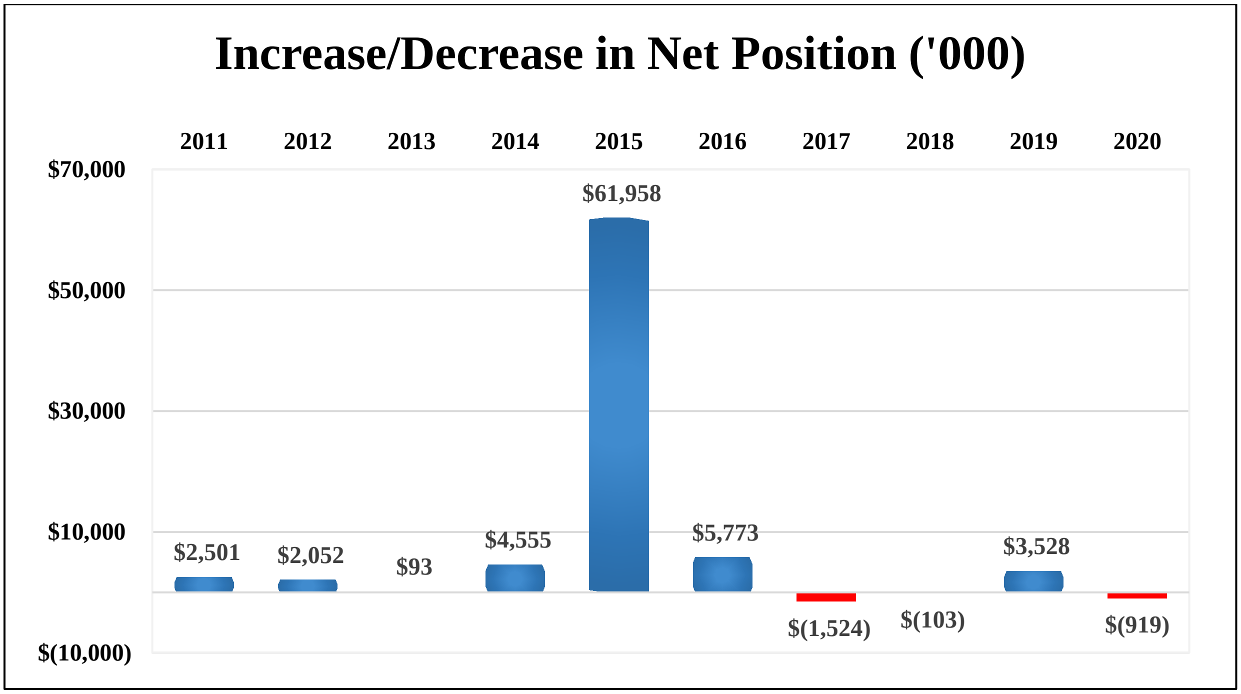
FINANCIAL HIGHLIGHTS

- Current assets exceeded current liabilities by $61.4 million.
- Capital assets, net of accumulated depreciation of $18.7 million, amounted to $116.7 million.
- The net position of the Authority as of September 30, 2020, was $14.5 million. Of this amount, $92.3 million is a net investment in capital assets, $41.4 million is considered restricted, and ($119.1) million is considered unrestricted.
- The Port's net position decreased by $919,000 for the fiscal year ended on September 30, 2020.
- The Port's total assets increased by 1% or $2.0 million at fiscal year ended September 30, 2020. The major component of this change was an increase in the Port's cash and cash equivalents by 3.3% or $2.1 million and Accounts Receivable Trade by 15% or $684K.

- The total liabilities increased by 15.1% or $31.3 million during the fiscal year ended on September 30, 2020. The main reasons for the growth were increases in the Other Post Employment Benefits liability by 36.7% or $24.7 million and the Net Pension liability by 15.0% or $8.3 million.

- Operating Revenues amounted to $54.7 million.

- Net operating expenses, excluding depreciation of $6.4 million, amounted to $49.3 million.



Overview of Financial Statements

The Authority's basic financial statements consist of the following: 1) statements of net position, 2) statements of revenues, expenses, and changes in net position, 3) statements of cash flows and 4) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

The statements of net position present information on all of the Authority's assets, deferred outflows and deferred inflows of resources and liabilities, with the difference, reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

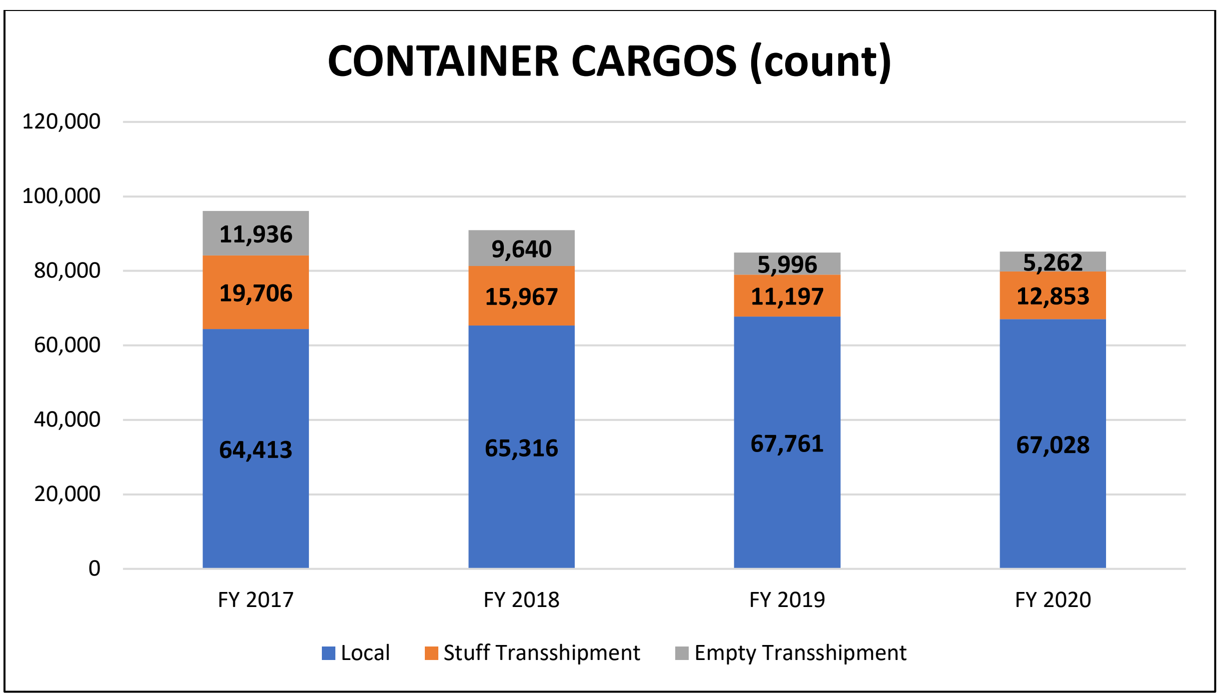
The statements of revenues, expenses, and changes in net position present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

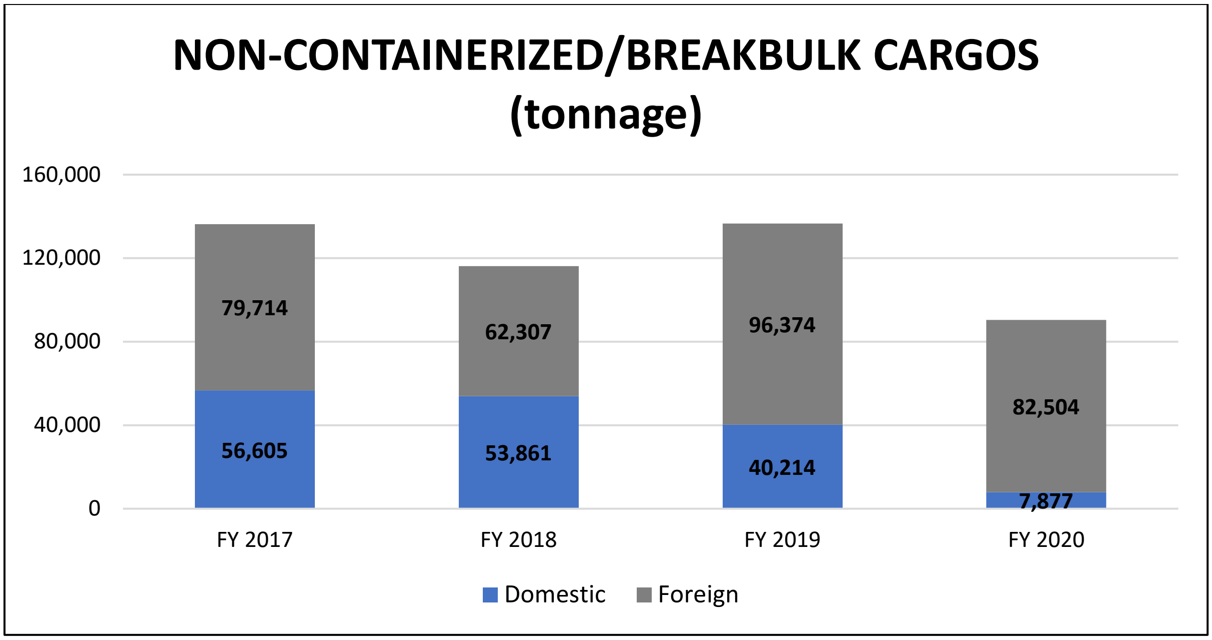
Authority Activities and Highlights

FY2020 Cargo Operations Results

The major basis in gauging the annual revenue status of the Port is through the number of cargos it handles each year. Main classifications of cargos are container and non-container (breakbulk) cargos. Container cargos are further broken down into local and transshipment categories. Local containers are containers that contain goods specifically for the Guam economy. The majority of exports for local cargos are empty containers. Transshipment cargo is unloaded in the Port of Guam, and, after a temporary stage in the yard, is transferred to another vessel to be transported to the final port of discharge. This transit cargo typically arrives in the Port of Guam from the U.S. or Asia and is then transferred to smaller ports in the CNMI, Palau, FSM, and RMI. Transshipment containers (mostly empty) from the Micronesian islands are then typically sent back through the Port of Guam and outbound to U.S/Asia ports. The handling of transshipment cargos is supplemental to those bound for or exported from Guam that allows the Port to grow revenues beyond those generally allowed by local economic conditions. Transshipment cargos generate an average of six percent of total annual revenues.

In FY20, the total number of containers handled is 85,143 containers. The FY20 total is an increase of 0.2% as compared to FY19 container count of 84,954. The breakdown for the total containers in FY20 is as follows: 67K of local containers, 13K of stuff transshipment and 5K of empty transshipment. The variance between FY20 and FY19 local containers is a reduction of 733 containers, from 67,761 containers in 2019 to 67,028 in 2020. In prior fiscal years' report, the Port was experiencing decline in the number of stuff transshipment containers for the past three years. In FY20, stuff transshipment recorded a 15% increase as compared with FY19, from 11,197 containers to 12,853 containers in FY20. The empty transshipment containers decreased by 12.2%, from 5,996 in 2019 to 5,262 in 2020. Breakbulk (non-containerized) cargos resulted in a decrease in FY20 by 33.8%, from 136K in FY19 to 90K in FY20.





Analysis of Net Position

Net position is the sum of assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Port's financial position is improving or deteriorating. The following is a condensed summary of the Port's net position as of September 30, 2020, 2019, and 2018 (in thousands):

Condensed Statements of Net Position
(In thousands)

	2020	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Current and other assets	$ 121,077	$ 118,906	$ 113,150
Capital assets	116,739	116,868	118,604
Total assets	237,816	235,774	231,754
Deferred outflows of resources	37,571	15,602	14,278
Total assets and deferred outflows of resources	$ 275,387	$ 251,376	$ 246,032

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities	$ 11,002	$ 10,397	$ 7,699
Other non-current liabilities	227,580	196,830	216,364
Total liabilities	238,581	207,227	224,063
Deferred inflows of resources	22,281	28,705	10,053
Net position:			
Net investment in capital assets	92,273	90,687	89,898
Restricted - expendable	41,375	39,959	30,475
Unrestricted	(119,123)	(115,202)	(108,457)
Total net position	14,525	15,444	11,916
Total liabilities, deferred inflows of resources and net position	$ 275,387	$ 251,376	$ 246,032

Net Position, Fiscal Year 2020

The largest portion of the Port's net position ($92 million) reflects its net investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($41.4 million) represents resources that are restricted for the debt service reserve fund. The remaining balance of ($119) million is unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $2.2 million or 2% from $118.9 million in fiscal year 2019 to $121.1 million in fiscal year 2020. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

The total assets increased by 1% or $2 million, from $236 million in FY19 to $238 million in FY20. In FY20, depreciable assets decreased by $3.3 million because of regular depreciation and a survey of assets. The total assets and deferred outflows of resources in FY20 are $275.4 million.

Current liabilities increased by $605 thousand or 5.8% as increases of $947 thousand in accounts payable for goods and services received in the FY20, $373 thousand in accrued payroll and withholdings, and $420 thousand in current portion of annual leave were offset by decreases of $1.3 million in security deposits and other payables. The decrease in other payables was due to settlement payouts that were applied to the contingency liability balance.

Other non-current liabilities increased by 15.6% or $30.7 million. The reason for this was primarily due to increases in Other post-employment benefits (OPEB) liability of $24.6 million and net pension liability of $8.3 million. Changes in the actuarial assumptions resulted in an upward or downward movement of the OPEB and net pension liabilities. Additional information regarding the Port's proportionate shares of pension and OPEB liabilities may be found in Notes 4 and 5 of this financial report.

Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net position changed during fiscal years 2020, 2019 and 2018 (in thousands):

Changes in Net Position
(In thousands)

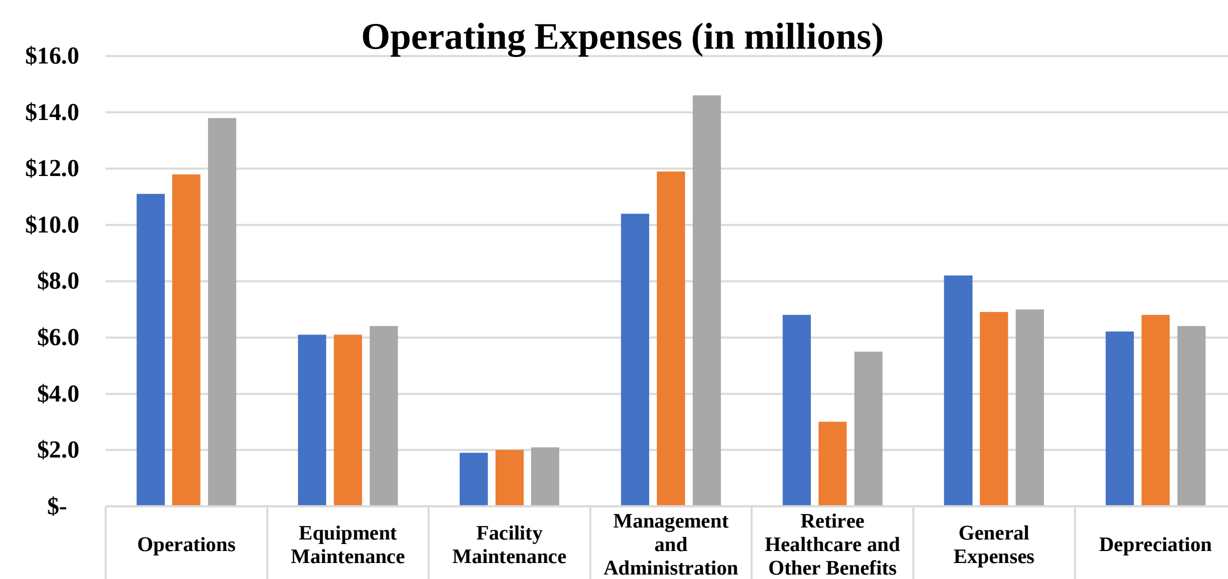
	2020	2019	2018	% Increase/ Decrease from 2019
Operating revenues:				
Cargo throughput charges	$ 33,820	$ 34,357	$ 33,496	-1.6%
Equipment and space rental	9,192	8,833	9,015	4.1%
Crane surcharge	5,811	5,875	5,958	-1.1%
Wharfage charges	5,639	5,771	5,435	-2.3%
Special services	138	199	206	-30.7%
Other operating income	78	229	58	-65.8%
	54,679	55,265	54,168	-1.1%
(Provision for) recovery of bad debts	(52)	(29)	162	77.5%
	54,627	55,236	54,330	-1.1%
Operating expenses:				
Management and administration	14,591	11,866	10,433	23.0%
Equipment maintenance	6,391	6,076	6,087	5.2%
Operations	13,750	11,839	11,091	16.1%
Retiree healthcare and other benefits	5,505	2,960	6,765	85.9%
Facility maintenance	2,116	1,962	1,945	7.9%
General expenses	6,977	6,885	8,213	1.3%
Total operating expenses	49,331	41,589	44,534	18.6%
Earnings from operations before depreciation	5,297	13,647	9,796	-61.2%
Depreciation	6,361	6,766	6,210	-6.0%
Earnings (loss) from operations	(1,064)	6,881	3,586	-115.5%
Nonoperating (expenses) revenues:				
Total nonoperating expenses, net	(2,336)	(4,051)	(3,922)	-42.3%
Earnings (loss) before capital contributions	(3,400)	2,830	(336)	-220.1%
Contributed capital:				
U.S. Government grants	2,481	697	233	-255.8%
Increase (decrease) in net position	(919)	3,528	(103)	-126.1%
Net position at beginning of year	15,444	11,917	12,019	29.6%
Net position at end of year	$ 14,525	$ 15,444	$ 11,917	-6.0%

Changes in Net Position

The Port's total operating revenues decreased by 1.1% or $586 thousand, from $55.3 million in FY19 to $54.7 million in FY20. Despite the impact of the COVID 19 pandemic on the economy, the total containers that the Port handled is .2% higher than in 2019 and decrease in the total operating revenues was 1.1% which is within the normal fluctuation of revenues in a normal condition.

The total operating expenses before depreciation in FY20 were higher by 18.6% or $7.7 million as compared to FY19, from $41.6 million in FY19 to $49.3 million in FY20. One of the major factors for the increase are the recording of the OPEB and pension expenses in FY20 that resulted in a higher total for retiree health care and other benefits, and divisional expenses. The adjustments for OPEB and pension expenses in FY20 were at $3.9 million and $1.7 million respectively. This resulted in an 86% increase in the Retiree healthcare and other benefits expense and an average of 13% increase in divisional expenses as compared to the prior fiscal year. General expenses increased only by 1.3% or $92 thousand as compared to FY19, from $6.9 million in FY19 to $7.0 million in FY20. Depreciation expense decreased by 6% in FY20, from $6.8 million in FY19 to $6.4 million in FY20.

The result of the net operating revenues minus operating expenses in Fiscal Year 2020 was a $5.9 million income from operations before depreciation. The result after adding depreciation expense of $6.4 million was a loss from operations in the amount of $1.1 million. In FY20 the total non-operating expense was $2.3 million, this resulted to a loss of $3.4 million before capital contribution. The Port's federal grants revenue in FY20 was $2.5 million, which is a 256% increase as compared to FY19. The main reason for the increase was the purchase of two top lifter equipment, funded by MARAD, in the amount of $1.6 million. After adding the capital contribution to the total calculation, the Agency's FY20 result is a decrease in net position of $990 thousand. The net position of the Port at the end of the year was $14.5 million.



	Operations	Equipment Maintenance	Facility Maintenance	Management and Administration	Retiree Healthcare and Other Benefits	General Expenses	Depreciation
FY 2018	$11.1	$6.1	$1.9	$10.4	$6.8	$8.2	$6.2
FY 2019	$11.8	$6.1	$2.0	$11.9	$3.0	$6.9	$6.8
FY 2020	$13.8	$6.4	$2.1	$14.6	$5.5	$7.0	$6.4

Capital Assets and Long-Term Debt

Capital Assets: At the end of FY20, the Port had $116.7 million invested in capital assets. The breakdown of this total is $106.6 million in depreciable property, plant and equipment, and $10.1 million in non-depreciable assets. The depreciable assets decreased by 3% or $3.3 million, primarily due to annual depreciation and some surveyed assets. The non-depreciable assets increased by 45% or $3.2 million, from $7.0 million in FY19 to $10.1 million in FY20. Majority of the increase was due to the preparatory work on the Port's bond projects. Please refer to note 3 in the accompanying financial statements for additional information regarding the Authority's capital assets.

Long-Term Debt: The Port had a long-term debt balance of $70 million as of September 30, 2020. These are principal funds owed from the issuance of revenue bonds which was authorized through Public Law 34-70 in December 2017. In June 2018, the Port issued Revenue Bonds 2018 to finance capital projects, payoff the Agency's existing loans, provide for capitalized interest for up to two years, fund bond reserve fund and pay costs of issuance.

Governor Lou Leon Guerrero signed Public Law 35-44 in October of 2019 which is an act to amend Section 4(a) of Public Law 34-70, relative to the financing or refinancing improvements and capital improvements of the Jose D. Leon Guerrero Commercial Port and other related facilities and operations of the Port through revenue bond proceeds. PL 35-44 addressed the key project initiatives related to the Port's modernization program. They are as follows:

a) The expansion of wharf space to accommodate larger vessels and increase vessel-handling capacity;
b) The upgrade of terminal operating system to allow automated invoicing, cargo and container tracking, financial management, and maintenance management;
c) The expansion of existing facilities to support fishing and cruise line industries; and
d) The replacement of gantry cranes at the end of their useful lives to maintain continuous uninterrupted cargo movement.

This amendment to PL 34-70 allows the reprogramming of bond proceeds needed to address the deficiencies of the Port's revenue generating waterfront facilities, a connectivity line between Golf Pier and F-1, and improvements needed for the Port's information technology systems.

Moody's Investor Services and Standard & Poor's assigned a rating of Baa2 and A, respectively, to Port Authority of Guam's 2018 Revenue Bonds. The ratings are important benchmarks of the issuer's ability to meet its financial obligations. Both grades are considered stable ratings. Please refer to note 6 in the accompanying financial statements for additional information regarding the Authority's long-term debt.

Key Factors in the FY20 Operating Results and FY20 Future Outlook

Corona Virus (COVID-19) Pandemic: In the early part of 2020, international news media was reporting the rise of the Coronavirus, also known as COVID-19, into the Asia Pacific Region. The U.S. President declared the virus as a public health emergency. Immediately after the President's declaration, Port management issued guidelines to all shippers, agents, and Port staff providing appropriate measures to reduce the COVID-19 risk to our tenants and employees. The guideline provided the shipping agents with a process outlining what to do if a crew member was ill and suspected to have COVID-19 and guidance to employees on what they are prohibited from doing when on the vessel during operations. Then in March 2020, the Governor declared a public health emergency pandemic because of the positive COVID-19 cases in Guam.

The management team sprang into action, taking every step possible to protect the Port's employees, tenants, and our customers who have business with the Port. Our employees were encouraged to exercise these precautionary measures, both at work and at home, which forced the Port team to quickly adopt different working, learning, and connecting ways.

Through the Governor and Director of Public Health's approval, a Port Clinic was established and staffed with Public Health and Department of Education nurses. The Port Clinic, which had more than 44,232 visits, serviced Port employees and the transiting vessel crew members, Port tenants, users, and the communities nearby. Port employees worked tirelessly to remain 100 percent operational to ensure the flow of goods and supplies into our community and throughout the region were not interrupted.

In August 2020, the Agency experienced an increase in employees exposed to COVID-19. A Port Contact Tracing Team was immediately established composing of employees who volunteered to take on the additional duties and become certified. Seven Port contact tracers, including the General Manager, helped ease the burdens placed on Department of Public Health and Social Services by conducting their own contact tracing, planning for testing, and keeping the employees updated and informed through the consistent circulation of the Port E-advisories. The mental anguish experienced by those employees who had to isolate themselves because of exposure to the disease was minimized through the management team's effort in delivering care packages consisting of sanitization and health monitoring products and communicating with them daily.

Procurement Delegation: After 14 years since the Port lost its procurement delegation, the Chief Procurement Officer, through the close work relationship with management, restored the full delegation of procurement authority in May 2020. In September 2020, the Chief Procurement Officer continued to grant the Port with the full delegation of procurement authority for Fiscal Year 2021.

Port Modernization Program/Port Master Plan Update: Management continued to push on with the modernization program by leveraging federal funding resources, enhancing revenue generation by deploying a more robust financial management system, and efficiently working towards completing legislatively approved capital improvement projects funded by its 2018 Port Revenue Bonds.

One of the milestone achievements is the collaborative efforts between the Port and the Governor's Office, resulting in $1.6 million from the Office of Economic Adjustment (OEA) to update the Port's 2013 Master Plan. This funding allowed the Port to work with its Owner's Agent Engineer (OAE), WSP, on a massive initiative to update the plan and layout the framework for the Port's near and long-term vision to modernize its facilities, infrastructure, systems, and operations.

In July 2020, a kick-off meeting with the consultants was held to begin the groundwork for the master plan update. The purpose of the plan is to help the Port define its near-term and long-term approach to modernize, maintain fiscally sustainable operations, and promote increased awareness and consensus on its approach among all affected stakeholders and the ratepayers of Guam.

The goals to achieve were:

- Provide a comprehensive overview of the Port's current conditions, including governance, financial, operation, and physical attributes.
- Assess the current and projected cargo opportunities based on Guam's market drivers, consisting of military expansion, tourism, transshipment, and organic growth.
- Determine near-term improvements and operational adjustments to accommodate the peak of the military build-up and future deployments of military assets.
- Estimate the Port's capacity and ability to meet the projected demand and tenant requirements.
- Identify long term modernization efforts targeted towards continuing operational and economic sustainability.

- Establish optimal requirements for operations, maintenance and repair and capital improvement projects.
- Validate the efficient and effective use of the Port's resources and assets.
- Present commercial strategies for or to diversify its revenue base and enhance its financial self-sufficiency, including a comprehensive tariff assessment and its economic impact thereof.
- Assess the impact of the recommended strategies on Guam's economic conditions; and
- Prepare an implementation program to support a coordinated approach of continuous Port improvement balanced with sustainability.

Based on the projected timeline, we expect the master plan update to be presented to the Governor in October 2021 and Guam Legislature by December 2021 for their approval.

Revenue Bond and Federal or Port Funded Projects: As a result of management's efforts to make sure the Port meets the expectations of our bond investors; we were able to achieve the following:

- Rehabilitation of Hotel Wharf: After MARAD approves the environmental assessment and FONSI for Hotel Wharf and notice to proceed on the rehabilitation project, we were able to relocate the coral head, which was situated near the wharf. Our consultants have conducted monitoring work on the coral head and reported its findings to Guam EPA. We acquired PUC's approval on the additional grant funding for our Owner's Agent Engineer consultants' contract and additional funding for the expanded environmental services. The cost negotiations for the construction management services have been finalized, and the award recommendation is before the Board for approval. We should anticipate the procurement for Hotel Wharf's rehabilitation to be awarded in May 2021, with construction work to commence no later than December 2021.

- Removal of Port's Inoperable Assets: The military build-up peak is expected to occur in 2023. To ensure the Port can stage the increase of cargoes in its terminal facilities and accommodate the additional vessels calling Port, a solicitation of procurement was prepared by a committee comprised of Port staff and our consultants, WSP. The multi-step invitation of the bid was issued on December 31, 2020. We expect an award to occur in February 2021 which is another success since the Port assets' removal was unable to move forward since 2016.

- Revenue Bond Projects: The A&E design and consulting services for the first capital improvement projects funded by the revenue bond proceeds were awarded in 2020. They are:

  (1) Structural repairs for Golf Pier;
  (2) Repair and expansion of the Equipment Maintenance & Repair building;
  (3) Repair of Warehouse 1; and
  (4) Replacement and relocation of waterlines.

  Engineering staff is currently reviewing the estimated engineering costs to ensure that the appropriate funding has been budgeted to proceed with the bid procurement packages' invitation.

  The other project funded by the Port's revenue bonds is the Enterprise One Financial Management System. This project aims to upgrade the Port's 20-year old Oracle JDE World financial management system to a more robust and technologically updated Oracle JDE Enterprise One System. We expect the project to be completed by April 2021.

  A grant application was submitted with the U.S. Economic Development Administration (EDA) for the Port's fuel connectivity project. The Guam's Acting SHPO issued Section 106 Concurrence, which paved the way for EDA to move to the next step in finalizing the Port's grant award. The total project amount is $3.016 million with EDA's share of $2.41 million and Port's share of $603,000. The monies allocated initially for this project in the revenue bond proceeds may now be used for those projects outlined in the legislation.

Engineering and Planning staff are working to assess the structural integrity of the Administration Building and the replacement costs for the infrastructure.

- Port and Federal Funded Projects: Other projects currently in progress and/or completed are:

  - Terminal Boom & CMU wall repainting and replacement of the barb wire;
  - Container yard striping;
  - Load center rehabilitation and upgrade;
  - CCTV and Access Control System Upgrades;
  - Agat Marina Dock B demolition and repair;
  - Harbor of Refuge repair; and
  - Environmental, health and safety program development.

  Those projects in progress are expected to be completed by the end of the calendar year.

Tariff Simplification: One of the tasks under the OEA grant was to have the consultants provide the Port with future tariff support. The Port management team saw a need to restructure the terminal tariff using the guiding principles below:

- Revenue neutral: ensure the revisions will result in neither a material increase nor decrease in Port revenues;
- User-friendly: present schedule of rates table in front of the tariff to allow customers to calculate fees quickly and easily;
- Transparent: itemized details, rules, and regulations associated with combined rates via hyperlink in latter sections of the tariff;
- Streamlined: consolidate charges to align with all-inclusive port services and performance reports;
- Modernized: support the integration of the Port's NAVIS Terminal Operating System and JDE Financial System;
- Timesaving: minimize/eliminate manual data entry of charges and provide invoices to users expeditiously; and
- Cost-effective: reduce administrative costs, manual entry errors, disputes, and delayed payments.

Once this task has been completed, the recommendations will be transmitted to the Board for approval and then to the PUC for their concurrence. We would like this task to achieve the ultimate results to allow the terminal operating and financial management systems to communicate and streamline the invoicing.

Training: The following training conducted during this period was:

a. Certification: For several years, the Port did not conduct annual and bi-annual training certifications as required by the Code of Federal Regulations for OSHA, U.S. Department of Transportation, and U.S. Coast Guard. Upon the reinstatement of Human Resources staff, management hit the ground running and ensured employees who are required to possess certifications completed the training.

b. Basic Supervisory and Leadership Workshops: About 120 employees occupying supervisory and leader positions participated in the Basic Supervisory and Leadership workshops. The feedback provided by the employees who participated in these workshops was positive.

c. Work Performance Appraisal System Training: In 2019, we were advised that the Port was supposed to transition into the new performance evaluation forms by 2012. However, the forms, procedures, and Key Performance Indicators (KPIs) were held in abeyance by former management. The Board directed management to implement the KPI as the basis on which all Port employees will now be evaluated. A lot of work has been done in the past year to develop the KPIs for each position, and the Work Performance Appraisal System training is another component of this plan's rollout. In

December 2020, the Personnel Services Administrator conducted a virtual training for the managers and supervisors. This training provided hands-on interaction and step-by-step instructions in completing the new evaluation forms and understanding its procedures. After ten years of being held in abeyance, we will be implementing the new evaluation system for Fiscal Year 2021.

Legal Services: With the sudden departure of the Port's in-house counsel in February 2020, and in order to ensure the procurement processes are not further delayed, management proactively worked with the Attorney General in designating the GSA's Administrative Counsel as the Special Assistant Attorney General for the period the Chief Procurement Officer was assigned to the Port. Then in October 2020, the Attorney General assigned Assistant Attorney General Tom Keeler to assist the Port in reviewing procurement packages. However, his assignment was only for a temporary period. In December 2020, the Port made an offer to an attorney for the in-house counsel position, namely Christine Claveria, which she accepted. This was good news as it enables all procurement activities, such as the bond and CIP projects, to proceed without any further delay.

Finances: Since the beginning of this administration, management team forged ahead and focused on improving its finances. With the hard work and sacrifice, the agency's finances turned around from a loss of $103,000 in Fiscal Year 2018 to earning $3.5 million in just one year for Fiscal Year 2019.

Gantry Crane Purchase and Maintenance: A grant application was submitted to MARAD under the Port Infrastructure Development Program to acquire two ship-to-shore gantry cranes. Although the application was not approved, discussions were immediately started with the U.S. Economic Development Administration (EDA) and the U.S. Department of Agriculture (USDA) on the grant application and a potential loan. The Authority was able to submit the first draft application for the direct loan to USDA and is working closely with the Port's consultants in compiling the estimated project costs for the application to EDA. The estimated cost under the EDA grant is $30 million for two STS cranes, and with the Port's $15 million share for the purchase of the third STS crane.

The performance management contract (PMC) procurement solicitation to assist the Port in maintaining and repairing our cranes was finally issued and is currently being reviewed by the committee.

Guam Customs Inspection Facility: PAG team worked closely with Customs representatives in identifying the site where the new customs inspection, holding, and securing area will be located. The Port coordinated with the Department of Land Management on the survey and transfer of the property from Port to Customs and Department of Public Works on the clearing of the property. The OAE consultant provided proposed facility design layouts on the 4-acre parcel adjacent to the main terminal gate, which Customs has agreed on one of the layouts. The preferred layout design's objective is two-fold: (1) allowed Customs to conduct their privacy operations inside the facility and (2) mandated the use of the Department of Public Works' weigh stations by the truckers.

Port Wharves Assessment and Upgrades: The OAE consultants reviewed the diving reports on the wharves' condition, which provided a realistic picture of what piers would need immediate repair. Based on their review, WSP reported the dolphins for F1 were in a much more serious condition than what was originally assessed. Management immediately engaged with OEA subcontractors to provide analysis on the berthing and mooring of vessels on F-1. This effort was done to provide proper guidance to our fuel managers on the safe capacity of berthing at the pier. At management's direction, the Planning staff is preparing federal grant applications to submit to funding the repair work for the wharves and Engineering is reviewing the current structural integrity of the wharves to determine the safe loads it can handle.

Federal Grants and Grant Opportunities: Management team worked closely with Planning staff and respective division heads on the following federal grants:

a. The Port was approved for $500,000 to support Harbor of Refugee's repair work and $512,759 for the Agat Marina Dock B construction by Department of Agriculture. A draft Memorandum of Understanding is currently with Department of Agriculture for their review.

b. An application for the hardening of Port wharves service life extension in the amount of $22,391,342 was submitted under the FEMA Hazard Mitigation Grant Program – FY2020 Building Resilient Infrastructure & Communities Grant.

c. The Port has partnered with the Commonwealth Northern Marianas Island (CNMI) for a joint route designation and project designation for consideration under MARAD's America's Marine Highway Program. If approved by MARAD, this joint designation will allow both ports (Guam and CNMI) to apply for grant opportunities for infrastructure upgrades or equipment acquisition.

Abandoned Derelict Vessel Project: The Port team worked closely with Guam Environmental Protection Agency and Guam Power Authority to remove 14 abandoned derelict vessels within the navigational hazards that pose significant threats to commercial and natural resources in Apra harbor. A port water tour was done in December 2020, which allowed the Governor and Lt. Governor to observe first-hand the locations of these vessels and be briefed on the type of work that is to occur in the removal of such vessels. After the boat tour, the Governor signed an executive order forming a group to remove the abandoned vessels from the Port harbor.

Real Estate Issues: During this period:

a. The Port finalized negotiations of Mobil's lease option year, which was approved by the Board. The contract is favorable to the Port in terms of an increase in our revenues for business development.

b. South Pacific Petroleum Corporation exercised their option to renew their Sublease Agreement. The Board approved management's recommendation to renew the agreement at a valuation rate of 14.5%.

Information Technology Consulting Firm: As the Port journeys in improving its technology system, there is a need to contract an Information Technology Consulting Firm who will be collaborating with the IT division in the analysis, design, implementation of the IT infrastructure and cybersecurity compliance. The firm will be required to:

1. Assess and analyze the Port's IT systems, application, networks, and data infrastructure.
2. Review, develop and implement virtualization.
3. Provide recommendations and oversee the implementation of network hardening with end-to-end security and other infrastructure improvements.
4. Implement an identity management system using Microsoft Active Directory installed on a virtualized environment.
5. Implement an upgrade or complete replacement of the yard wireless system.
6. Implement and install a corporate wireless system.
7. Assist in the planning of IT infrastructure designs/requirements for the Port buildings.
8. Implement a document management system.
9. Implement a reliable voice over internet protocol phone system port wide.
10. Perform other related tasks as directed by the Port.

The procurement for this service was issued in December 2020. We expect the award to occur in the first quarter of 2021.

Solar Power Feasibility Study: Management continue to work closely with the OAE consultants in the feasibility of installing a solar panel system on several of the Port building rooftops to reduce our power consumption.

Policy on Financials: The Board amended the policy on petty cash disbursement procedures to adjust the limit from $50.00 to $400.00 due to inflation of goods and services and to be in line with the procurement rules for small purchases.

Union Contract: The Board approved the amended version of the collective bargaining agreement on November 19, 2019, as agreed upon by the Port and GFT. The Attorney General had expressed concerns regarding the effective date of the agreement, arbitration clause and exclusive recognition. Both GFT and Port had agreed to the suggestions made by the Attorney General and made changes to the agreement. After the Attorney General had signed the agreement, the Governor signed the collective bargaining agreement on January 20, 2020.

Guam Zero Waste Working Group – Biosolids Compost Pilot Project: According to Executive Order 2019-28, the Port was named as a partner and member of the Zero Waste Working Group (ZWG). The group is responsible for developing, making recommendations, adopting, implementing, and overseeing all aspects of any ZWG initiatives/projects. The initial project adopted was the Biosolids Composting Demonstration Project, which will determine the viability of processing biosolids into a recyclable usable product. The project is located on a small portion of the Old Hawaiian Rock site.

Overtime Comparison between Old and New Work Schedule: In Fiscal Year 2019, Operations implemented the old gang schedule from October 2018 to May 2019 at 10 hours for day and night shift. In June 2019, the Port Operations implemented the new schedule of 8 hours for employees in dayshift and night shift. A comparison between the average overtime from October 2018 to November 2019 with the old and new work schedules showed that there was 14.6% decrease in overtime costs.

RSM Project: One of the participative discussions held with PUGG was the initiative to digitize the cargo tracking, which would provide for greater efficiencies for fee capture and revenue retention for the Port, as well as developing a robust, user-friendly shared interaction that is instantaneously accessible to the Port, Customs & Quarantine Agency and PUGG.

This project would address the safety and security policies of the Port. The objectives by the parties involved are:

- Port: improved efficiencies in operations, billing, collections, going paperless, and meeting PUGG's operational needs.
- PUGG: going paperless, pre-clearing of cargo containers, improving operational efficiencies, digital sharing of the manifest.
- Customs: Automation, going paperless, advance clearing of cargo containers, significantly reduce front-facing clearances, searchable bill of lading, digitized manifest, interdiction of drugs, bio securities, terrorism, and improved collections of use tax.

OPA Report: Management worked closely with the Office of Public Accountability to review unclassified employees' pay raises and bonuses. The review's findings were published and pointed out deficiencies in the pay raises for the former General Manager and Deputy General Managers. The audit findings are currently with the Attorney General for his perusal.

Demolition of Derelict Vessel at Seaplane Ramp: The Port was able to demolish a derelict vessel "Azuma" that had been abandoned for 9 years with Department of Public Works' assistance. After several beatings from numerous storms that hit Guam, the vessel began to take on water at the Agat marina. To prevent it from sinking, it was drained of all remaining fuel, cleared of all toxins, and tugged to Seaplane Ramp.

Interpersonal Relationships:

a. Internal:

(1) Familiarization of Operations: To enhance the working relationship from the administration, operations, and maintenance, management led the administration employees to tour the operations facilities. The approach allowed the employees to see first-hand how cargo operations and movement of containers/breakbulk are processed. This activity bridges the administration folks with the waterfront employees so that each division can continue to appreciate the labor force and human resources put into cargoes' movement.

(2) Port Week: This year's 45th anniversary was unlike past celebrations because all of the events were held virtually due to the COVID-19 pandemic. The events were broadcasted on the Port's Facebook and YouTube and allowed our customers, employees, and the public to view its opening ceremony consisting of a flag-raising ceremony followed by a parade of trucks, proclamation signing by the Governor and Lt. Governor, resolution presentation by our Legislative Speaker and Oversight Chair, and ending with a video honoring the front-liners. A Virtual Town Hall celebration and Employee Awards Ceremony took place with Port employees joining in on the zoom meeting or watching live via Port's Facebook and YouTube page. At this celebration, over 80 awards were given for years of service, sick leave, and retirement appreciation. We also premiered live the "Port Modernization – We Keep Guam Moving," which honored this agency's men and women and was very emotional. We were proud to know that all the videos were filmed, compiled, and produced by the reinstated staff of the Marketing Division.

b. External:

(1) Marina User Group: Management created a marina user group, similar to the Port Users Group, to provide a forum to better serve our marina tenants and users and the Island's recreational, sustenance, and commercial boating communities by enabling all marina users an opportunity to address their concerns or ideas to the Port. A user survey that speaks of the marina's strengths/weaknesses, pressing needs, opinion on fee structure, dock replacement, etc. was disseminated to the users. The marina users were informed that a dedicated link on the Port's website was created to provide them with a wealth of information.

(2) Adopt-A-School Program: The Port helped JP Torres Success Academy school relocate its office materials, classroom furniture, supplies, and electronic equipment due to the deterioration of its facility in Santa Rita. The items, furnishing and equipment were relocated to Southern High School and Tiyan.

(3) COVID-19 support: The Port aided Department of Education in the food drive by coordinating with the shippers to use refrigerated containers and Department of Public Health COVID-19 testing sites.

(4) Monthly Newsletters: To ensure communication with our employees and customers are constant, the Port reactivated its monthly newsletter, which provides updates on projects and essential information.

Application of FOIA to Settlement Agreements: The past legal counsels representing the Port had opined that employee settlements were not public documents. Management disagreed with their stance and asked the Public Auditor to address the issue. On July 20, 2020, the Attorney General issued an opinion clarifying that settlements were indeed public documents. In order to comply with the Attorney General's opinion, the settlement agreements were then immediately posted on the Port's website.

Accountability and Transparency Awards. In 2020, the Port's most prestigious accomplishment under the new management was to be recipients of awards from Association of Government Accountants Guam Chapter for the 1st place Platinum "Excellence in Citizen-Centric Reporting Award" and the "Accountability and Transparency in Citizen-Centric Award". These national and local recognitions are first-time awards for the Port.

Debt Service Coverage

Under the bond indenture for the issuance of the 2018 Port Revenue Bonds, the Authority is required to maintain minimum debt service coverage of 1.25 in relation of net revenues versus annual debt service. A summary of the annual debt service coverage for the year ended September 30, 2020 is as follows:

Revenues	$ 46,728,988
Less Operation and Maintenance Expense	41,267,589
Net Revenues	5,461,399
Plus Other Available monies	1,806,249
Net Revenues and Other Available Monies	$ 7,267,648
Rate Covenant:	
Net Revenues and Other Available Monies	$ 7,267,648
Total Annual Debt Service	$ 5,752,385
Annual Debt Service Coverage	1.26
Debt Service Coverage Requirement	1.25

CONTACTING THE PORT'S FINANCIAL MANAGEMENT

The Management's Discussion and Analysis report is intended to provide information concerning known facts and conditions affecting the Port's operations. This financial report is designed to provide a general overview of the Port Authority's finances and to demonstrate the Port's accountability for the funds it receives and expends.

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

PORT AUTHORITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Net Position
September 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
Current assets:		
Cash and cash equivalents - unrestricted	$ 20,018,505	$ 16,579,745
Cash and cash equivalents - restricted expendable	46,713,098	47,993,786
Total cash and cash equivalents	66,731,603	64,573,531
Accounts receivable, net of allowance for doubtful accounts of $299,858 and $249,427 in 2020 and 2019, respectively	5,240,402	4,555,850
Federal receivables	351,325	224,281
Prepaid expenses	64,631	38,134
Total current assets	72,387,961	69,391,796
Replacement parts inventories, net of allowance for obsolescence of $137,558 in 2020 and $85,273 in 2019	648,238	568,917
Cash and cash equivalents - restricted expendable	48,041,056	48,944,964
Depreciable property, plant and equipment, net	106,588,701	109,889,143
Nondepreciable property, plant and equipment	10,149,866	6,979,361
Total assets	237,815,822	235,774,181
Deferred outflows of resources from pension	13,903,067	6,759,236
Deferred outflows of resources from other post-employment benefits	23,668,119	8,842,492
Total deferred outflows of resources	37,571,186	15,601,728
Total assets and deferred outflows of resources	$ 275,387,008	$ 251,375,909

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2020	2019
Current liabilities:		
Current portion of long-term debt	$ 2,465,000	$ 2,380,000
Accounts payable, trade and others	2,613,416	1,665,824
Security deposits and other payables	2,573,881	3,871,427
Accrued payroll and withholdings	1,272,831	899,599
Current portion of accrued annual leave	1,798,867	1,378,855
Unearned revenue	277,633	201,153
Total current liabilities	11,001,628	10,396,858
Long-term debt, net of current portion	70,042,079	72,746,699
Net pension liability	63,517,803	55,215,897
Other post-employment benefits liability	92,013,986	67,314,364
Accrued annual leave, net of current portion	462,075	466,170
Accrued sick leave	1,543,920	1,086,660
Total liabilities	238,581,491	207,226,648
Deferred inflows of resources from pension	1,637,235	2,146,691
Deferred inflows of resources from other post-employment benefits	20,643,550	26,558,369
Total deferred inflows of resources	22,280,785	28,705,060
Commitments and contingencies		
Net position:		
Net investment in capital assets	92,272,544	90,686,770
Restricted - expendable	41,375,365	39,959,130
Unrestricted	(119,123,177)	(115,201,699)
Total net position	14,524,732	15,444,201
Total liabilities, deferred inflows of resources and net position	$ 275,387,008	$ 251,375,909

See accompanying notes to financial statements.

PORT AUTHORITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

		2020		2019
Operating revenues:				
Cargo throughput charges	$	33,820,469	$	34,357,462
Equipment and space rental		9,191,997		8,833,474
Crane surcharge		5,811,219		5,874,773
Wharfage charges		5,639,175		5,771,409
Special services		137,990		199,221
Other operating income		78,262		228,661
		54,679,112		55,265,000
Provision for bad debts		(51,658)		(29,105)
		54,627,454		55,235,895
Operating expenses:				
Management and administration		14,591,435		11,866,102
Equipment maintenance		6,391,270		6,076,225
Depreciation		6,360,712		6,765,725
Transportation services		6,006,525		5,152,765
Retiree healthcare and other benefits		5,504,567		2,960,476
Stevedoring services		4,392,152		3,792,370
Terminal services		3,351,409		2,893,583
Insurance		3,130,414		2,648,350
General expenses		2,530,651		2,712,367
Facility maintenance		2,116,004		1,961,928
Utilities		1,316,320		1,524,582
Total operating expenses		55,691,459		48,354,473
(Loss) earnings from operations		(1,064,005)		6,881,422
Nonoperating (expenses) revenues:				
U.S. Government operating grants		445,151		352,065
Other income (expense), net		(306,685)		(3,052,326)
Interest (expense) income, net		(2,466,453)		(1,310,971)
Loss on disposal of property, plant and equipment		(8,466)		(39,928)
Total nonoperating expenses, net		(2,336,453)		(4,051,160)
(Loss) earnings before capital contributions		(3,400,458)		2,830,262
Contributed capital:				
U.S. Government capital grants		2,480,989		697,379
(Decrease) increase in net position		(919,469)		3,527,641
Net position at beginning of year		15,444,201		11,916,560
Net position at end of year	$	14,524,732	$	15,444,201

See accompanying notes to financial statements.

PORT AUTHORITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from customers	$ 54,019,381	$ 56,098,627
Cash payments to suppliers for goods and services	(10,982,153)	(12,761,989)
Cash payments to employees for services and benefits	(33,574,337)	(30,534,207)
Net cash provided by operating activities	9,462,891	12,802,431
Cash flows from investing activity - interest received	642,686	1,812,243
Cash flows from capital and related financing activities:		
Capital grants received	2,353,945	511,520
Repayment of long-term debt	(2,380,000)	(1,320,000)
Interest paid	(2,724,585)	(2,531,032)
Purchase of property, plant and equipment	(6,239,241)	(5,069,745)
Net cash used in capital and related financing activities	(8,989,881)	(8,409,257)
Cash flows from non-capital related financing activities:		
Operating grants received	445,151	352,065
Other non-capital activities	(306,683)	34,655
Cash provided by non-capital related financing activities	138,468	386,720
Net increase in cash and cash equivalents	1,254,164	6,592,137
Cash and cash equivalents at beginning of year	113,518,495	106,926,358
Cash and cash equivalents at end of year	$ 114,772,659	$ 113,518,495
Reconciliation of (loss) earnings from operations to net cash provided by operating activities:		
(Loss) earnings from operations	$ (1,064,005)	$ 6,881,422
Adjustments to reconcile (loss) earnings from operations to net cash provided by operating activities:		
Depreciation	6,360,712	6,765,725
Provision for bad debts	51,658	29,105
Pension expenses (recoveries)	648,617	(747,459)
Other post-employment benefit costs	3,959,175	1,166,339
Changes in operating assets and liabilities:		
Accounts receivable, net	(736,211)	909,021
Prepaid expenses	(26,497)	19,921
Replacement parts inventories, net	(79,321)	64,226
Accounts payable, trade and others	323,419	(2,136,820)
Security deposits and other payables	(1,297,546)	(280,963)
Accrued payroll and withholdings	373,232	89,841
Accrued annual leave	415,917	24,538
Unearned revenue	76,481	(75,394)
Accrued sick leave	457,260	92,929
Net cash provided by operating activities	$ 9,462,891	$ 12,802,431

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

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

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

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

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

Basis of Accounting

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

Operating and Nonoperating Revenues and Expenses

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

(1) Organization and Summary of Significant Accounting Policies, Continued

Net Position

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

Net investment in capital assets:

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

Restricted:

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

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

All of the Authority's restricted net position at September 30, 2020 and 2019 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 initial maturities of three months or less. Restricted cash is considered to be cash and cash equivalents but is separately classified in the statements of net position.

Accounts Receivable and Allowance for Doubtful Accounts

Substantially all of the Authority's accounts receivable as of September 30, 2020 and 2019 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, 2020 and 2019, receivables that are more than thirty days past due totaled $825,382 and $637,434, 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 are charged to expense in the period the Authority deems the accounts to be uncollectible.

(1) Organization and Summary of Significant Accounting Policies, Continued

Replacement Parts Inventories

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

Property, Plant and Equipment and Depreciation

Land is recorded at its appraised value on the date of transfer from GovGuam. Buildings and structures are stated at cost, which 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 statements of net position. Estimated amounts to be paid during the next fiscal year are reported as current liabilities. Annual leave pay is convertible to pay upon termination of employment.

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

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service;

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

3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with more than fifteen (15) years of service.

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

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

(1) Organization and Summary of Significant Accounting Policies, Continued

Pensions

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

Other Post-Employment Benefits (OPEB)

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

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

Deferred Outflows of Resources

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

(1) Organization and Summary of Significant Accounting Policies, Continued

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, 2020, 2019 and 2018.

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.

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards

The implementation of these statements did not have a material effect on the Authority's financial statements.

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement Nos: 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements Nos. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

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

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending December 31, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023**.**

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

(2) Cash and Cash Equivalents

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

(2) Cash and Cash Equivalents, Continued

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

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

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

As of September 30, 2020 and 2019, the carrying amount of the Authority's cash and cash equivalents totaled $114,772,659 and $113,518,495, respectively, and the corresponding bank balances were $114,861,925 and $113,729,082, respectively. Of the bank balance amount as of September 30, 2020 and 2019, $28,960,799 and $23,235,483 respectively, was maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2020, and 2019, bank deposits in the amount of $500,000 were FDIC insured for both years. Bank balances as of September 30, 2020 and 2019 also include $85,901,126 and $90,493,599, respectively, of short-term investments held and administered by the Authority's trustee in the Authority's name in accordance with a trust agreement and the 2018 bond indenture. As of September 30, 2020, and 2019, monies in the amount of $6,840,156 and $6,164,008, respectively were invested in deposit accounts insured by the U.S. Government. The Authority does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. As of September 30, 2020 and 2019, $ 21,530,377 and $16,360,887, respectively, of cash and cash equivalents are subject to custodial credit risk. Under 5 GCA21, the Government of Guam requires collateralization of deposits in excess of depository insurance in an amount in value at least ten percent in excess of monies deposited with the financial institution. Such collateralization should be in securities in U.S. Treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged for the payment of principal and interest; evidence of indebtedness of the Government of Guam; investment certificates of the Federal Home Bank; or such securities as may be approved by the Director of Administration and the Governor of Guam. The Authority has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its deposits.

(2) Cash and Cash Equivalents, Continued

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

	2020	2019
Current restricted:		
2018 Bond Indenture Funds		
Capitalized interest fund	$ -	$ 2,696,920
Working capital reserve fund	3,090,744	3,067,940
General reserve fund	10,000	-
Debt service fund	1,438,102	784,602
Revenue fund	2,262,880	4,802,822
Capital improvement fund	10,201,454	8,059,065
Operations and maintenance fund	3,123,079	5,065,692
Renewal and replacement reserve fund	1,853,098	1,180,882
Operations and maintenance reserve fund	10,552,976	10,552,976
Bond reserve fund	5,337,736	5,337,736
Accrued interest	-	127,445
	37,870,069	41,676,080
PUC Restricted Funds		
Crane replacement sinking fund	4,368,914	3,785,201
Facility maintenance fund	4,474,115	2,532,505
	8,843,029	6,317,706
Total restricted cash and cash equivalents - current	46,713,098	47,993,786
Noncurrent restricted:		
2018 Bond Indenture Fund - Construction fund	48,041,056	48,944,964
	$ 94,754,154	$ 96,938,750

(3) Property, Plant and Equipment

A summary of changes in property, plant and equipment for the years ended September 30, 2020 and 2019 is as follows:

	Beginning Balance October 1, 2019	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2020
Depreciable:				
Buildings	$ 145,148,759	$ 59,515	$ -	$ 145,208,274
Equipment	34,404,727	3,009,221	(1,599,072)	35,814,876
	179,553,486	3,068,736	(1,599,072)	181,023,150
Less accumulated depreciation	(69,664,343)	(6,360,712)	1,590,606	(74,434,449)
	109,889,143	(3,291,976)	(8,466)	106,588,701
Non-depreciable:				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	3,416,361	5,668,938	(2,498,433)	6,586,866
	6,979,361	5,668,938	(2,498,433)	10,149,866
Total	$ 116,868,504	$ 2,376,962	$ (2,506,899)	$ 116,738,567

(3) Property, Plant and Equipment, Continued

	Beginning Balance October 1, 2018	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2019
Depreciable:				
Buildings	$ 141,281,560	$ 3,867,199	$ -	$ 145,148,759
Equipment	33,999,112	689,390	(283,775)	34,404,727
	175,280,672	4,556,589	(283,775)	179,553,486
Less accumulated depreciation	(63,142,465)	(6,765,725)	243,847	(69,664,343)
	112,138,207	(2,209,136)	(39,928)	109,889,143
Non-depreciable:				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	2,903,205	4,980,278	(4,467,122)	3,416,361
	6,466,205	4,980,278	(4,467,122)	6,979,361
Total	$ 118,604,412	$ 2,771,142	$ (4,507,050)	$ 116,868,504

(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).

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.

(4) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Plan Membership: As of September 30, 2019 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,360
Inactive employees entitled to but not yet receiving benefits	3,162
Active employees	4,850
	15,372
DCRS members:	
Active employees	6,286
	21,658

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

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

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

(4) Pensions, Continued

A. General Information About the Pension Plans, Continued:

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. Beginning January 1, 2018, all new employees shall be automatically enrolled in the GRSP. New employees have sixty (60) days from the date of hire to elect to participate in the DCRS.

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

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

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the September 30, 2018 actuarial valuation was used for determining the year ended September 30, 2020 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2018, 2017 and 2016, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2020, 2019 and 2018, respectively, have been determined as follows:

(4) Pensions, Continued

A. General Information About the Pension Plans, Continued:

	2020	2019	2018
Normal costs (% of DB Plan payroll)	13.86%	13.54%	15.97%
Employee contributions (DB Plan employees)	9.52%	9.52%	9.55%
Employer portion of normal costs (% of DB Plan payroll)	4.34%	4.02%	6.42%
Employer portion of normal costs (% of total payroll)	2.39%	2.29%	1.60%
Unfunded liability cost (% of total payroll)	20.70%	21.29%	22.12%
Government contribution as a % of total payroll	23.09%	23.58%	23.72%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	26.28%	26.56%	27.83%
Employee	9.52%	9.52%	9.55%

The Authority's contributions to the DB Plan for the years ended September 30, 2020, 2019 and 2018 were $3,436,208, $3,172,830, and $2,666,133, 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, 2020, 2019 and 2018 were $1,064,349, $1,076,038 and $1,082,514, 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 5% of the member's regular base pay, which increased to 6.2% effective January 1, 2018. 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.

Statutory employer contributions for the DCRS plan for the year ended September 30, 2020 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS, which increased to 6.2% effective January 1, 2018. 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, 2020, 2019 and 2018 were $2,325,742, $2,019,302, and $2,358,320, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $1,777,051, $1,547,929 and $1,874,487 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2020, 2019 and 2018, respectively.

(4) Pensions, Continued

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

Pension Liability: At September 30, 2020 and 2019, the Authority reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2019 and 2018, respectively, which is comprised of the following:

	2020	2019
Defined Benefit Plan	$ 46,826,407	$ 41,041,830
Ad Hoc COLA/supplemental annuity Plan for DB retirees	13,573,770	11,646,387
Ad Hoc COLA Plan for DCRS retirees	3,117,626	2,527,680
	$ 63,517,803	$ 55,215,897

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, 2020 and 2019, the Authority's proportionate shares of the GovGuam net pension liabilities were as follows:

	2020	2019
Defined Benefit Plan	3.86%	3.48%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	4.19%	4.02%
Ad Hoc COLA Plan for DCRS retirees	5.21%	5.12%

Pension Expense: For the years ended September 30, 2020 and 2019, the Authority recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

	2020	2019
Defined Benefit Plan	$ 5,413,787	$ 4,693,096
Ad Hoc COLA/supplemental annuity Plan for DB retirees	1,214,385	1,185,428
Ad Hoc COLA Plan for DCRS retirees	228,058	(691,349)
	$ 6,856,230	$ 5,187,175

(4) Pensions, Continued

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

Deferred Outflows and Inflows of Resources: At September 30, 2020 and 2019, the Authority reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 67,212	$ -	$ 94,059	$ -	$ 328,337	$ 90,553
Net difference between projected and actual earnings on pension plan investments	1,646,566	415,100	-	-	-	-
Changes of assumptions	-	-	1,218,677	211,008	750,577	302,454
Contributions subsequent to the measurement date	5,213,259	-	958,349	-	106,000	-
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	3,130,399	9,498	348,185	37,989	41,447	528,894
	$ 10,057,436	$ 424,598	$ 2,619,270	$ 290,736	$ 1,226,361	$ 921,901

	2019					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 115,827	$ -	$ 172,309	$ -	$ 363,163	$ 23,099
Net difference between projected and actual earnings on pension plan investments	-	735,751	-	-	-	-
Changes of assumptions	-	-	-	386,552	301,045	337,368
Contributions subsequent to the measurement date	4,720,759	-	978,038	-	98,000	-
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	-	18,132	-	72,524	10,095	573,265
	$ 4,836,586	$ 753,883	$ 1,150,347	$ 459,076	$ 772,303	$ 933,732

(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, 2019 will be recognized in pension expense as follows:

Year Ending September 30	Defined Benefit Plan	Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees	Ad Hoc COLA Plan for DCRS Retirees
2021	$ 1,169,237	$ 519,511	$ 27,142
2022	1,418,953	646,280	27,142
2023	1,203,858	204,394	27,142
2024	627,531	-	27,142
2025	-	-	27,142
Thereafter	-	-	62,750
	$ 4,419,579	$ 1,370,185	$ 198,460

Actuarial Assumptions: Actuarially determined contribution rates for the DB Plan are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation date:	September 30, 2018
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	May 1, 2033 (14.58 years remaining as of September 30, 2018)
Asset valuation method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.50% per year
Total payroll growth:	2.75% per year
Salary increases:	4% to 7.5%
Retirement age:	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 70.

(4) Pensions, Continued

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

Mortality:	RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015. The rationale for each significant assumption is provided in the experience study. To the extent that actual experience differs from the assumptions, future pension costs will differ. The next experience study for the period October 1, 2015 to September 30, 2019 is scheduled to be performed prior to the next year's valuation.

The investment rate assumption as of September 30, 2019 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges 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. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Nominal Return
U.S. Equities (large cap)	26.0%	6.81%
U.S. Equities (small cap)	4.0%	8.12%
Non-U.S. Equities	17.0%	8.33%
Non-U.S. Equities (emerging markets)	3.0%	10.28%
U.S. Fixed Income (aggregate)	24.0%	3.87%
Risk parity	8.0%	5.56%
High yield bonds	8.0%	5.45%
Global Real Estate (REITs)	5.0%	8.01%
Global Equity	5.0%	7.44%

Remaining Amortization Period: The unfunded liability was being amortized over a closed period ending on May 1, 2031. This was extended by 2 years to May 1, 2033 by Public Law 33-186.

(4) Pensions, Continued

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

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2019 and 2018 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 as of September 30, 2019 was 2.66% (4.18% as of September 30, 2018), which is equal to the rate of return of a high quality bond index.

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

Defined Benefit Plan:

	1% Decrease in Discount Rate 6.0%	Current Discount Rate 7.0%	1% Increase in Discount Rate 8.0%
Net Pension Liability	$ 59,116,031	$ 46,826,407	$ 36,250,904

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate 1.66%	Current Discount Rate 2.66%	1% Increase in Discount Rate 3.66%
Net Pension Liability	$ 14,975,393	$ 13,573,770	$ 12,378,788

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate 1.66%	Current Discount Rate 2.66%	1% Increase in Discount Rate 3.66%
Net Pension Liability	$ 3,532,872	$ 3,117,626	$ 2,762,177

(4) Pensions, Continued

C. Payables to the Pension Plans:

As of September 30, 2020 and 2019, the Authority recorded payables to GGRF of $295,072 and $282,822, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

(5) Other Post-Employment Benefits (OPEB)

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

A. General Information About the OPEB Plan:

Plan Description: The other post-employment benefits 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. Because the OPEB Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Plan Membership: As of September 30, 2019 and 2018 (the respective measurement periods), OPEB plan membership consisted of the following as of September 30, 2019 and 2018 (the respective actuarial valuation dates):

	2019	2018
Inactive plan members or beneficiaries currently receiving benefits	7,462	7,930
Active plan members	10,832	10,136
Total members	18,294	18,066

Benefits Provided: The OPEB Plan provides post-employment medical, dental and life insurance benefits to the Authority retirees, spouses, children and survivors, which are the same benefits as provided to active employees. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The Authority contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums. Three types of health plans are offered to eligible participants.

(5) Other Post-Employment Benefits (OPEB), Continued

A. General Information About the OPEB Plan, Continued:

- Standard islandwide Preferred Provider Organization (PPO) Plan
- High Deductible (Health Savings Account - HSA) PPO Plan
- Retiree Supplement Plan (RSP)

The PPO and HSA Plans apply to both active employees and retirees and work with set deductible amounts whereas the RSP Plan is an added option for retirees 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 becoming due.

For the years ended September 30, 2020, 2019 and 2018, the Authority reimbursed GovGuam $1,475,500, $1,681,439 and $1,862,828, respectively, for its share of the costs of the above mentioned Plan, which were equal to the statutorily required contributions.

B. Total OPEB Liability:

As of September 30, 2020 and 2019, the Authority reported a total OPEB liability of $92,013,986 and $67,314,364, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2019 and 2018. The following presents the Authority's change in proportionate share since the prior measurement date:

Proportion at prior measurement date, September 30, 2018	3.59%
Proportion at measurement date, September 30, 2019	3.60%
Increase in proportion	0.01%

Actuarial Assumptions: The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2018, rolled forward to the measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%
Amortization method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	7.5% per year for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years and 4.0% for service over 15 years. Previously, 7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years.

(5) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Healthcare cost trend rates:	For 2018, Non-Medicare 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2029 and later years. Previously, 8% for 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years. Health care trend assumptions 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 are expected to decline year by year.
Dental trend rates:	3.8% in year one; 3.75% per year thereafter, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends. Previously, 4% per year.
Participation rates:	Medical - 100% of eligible retired employees will elect to participate. Dental - 100% of eligible retirees will elect to participate. Life - 100% of eligible retirees will elect to participate. 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 Enrolment assumption below.
Medicare enrollment:	15% 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 30, 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. Previously, 60% of employees are assumed to retire with a covered spouse.

(5) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.
Healthy retiree mortality rate:	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB. Previously, set forward 4 years and 1 year for males and females, respectively.
Disabled retiree mortality rates:	RP-2000 Disabled Mortality Table for males and females, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.
Withdrawal rates:	15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.
Disability rates:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females as follows: 0.05% for males aged 20-39 years (0.03% for females); 0.10% - .18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.53% for males aged 50-59 years (0.16% - 0.27% for females); and 0.76% for males aged 60-64 years (0.38% for females). Previously, 1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and females.
Retirement rates:	50% of employees are assumed to retire at first eligibility for unreduced benefits under the Government of Guam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75. Previously, 40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the Government of Guam Retirement Fund, 15% per year thereafter until age 65, 20% per year thereafter until age 70 and 100% at age 70.

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.

(5) Other Post-Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Discount Rate: The discount rate used to measure the total OPEB liability was 2.66% as of September 30, 2019 (4.18% as of September 30, 2018). The projection of cash flows used to determine the discount rate assumed that contributions from the Authority will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.66% municipal bond rate as of September 30, 2019 (4.18% as of September 30, 2018) was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Total OPEB Liability:

Changes in the Authority's proportionate share of the total OPEB liability for the years ended September 30, 2020 and 2019 are as follows:

	2019	2018
At October 1	$ 67,314,364	$ 84,786,658
Changes for the year:		
Service cost	2,492,109	2,980,600
Interest	2,885,664	3,156,104
Change in proportionate share	407,840	3,313,976
Difference between expected and actual experience	-	(18,753,465)
Change of assumptions	20,456,909	(6,524,999)
Benefit payments	(1,542,900)	(1,644,510)
Net change	24,699,622	(17,472,294)
At September 30	$ 92,013,986	$ 67,314,364

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 (4.18%) in measuring the 2018 OPEB liability.

	1% Decrease in Discount Rate 1.66%	Current Discount Rate 2.66%	1% Increase in Discount Rate 3.66%
OPEB Liability	$ 109,909,432	$ 92,013,986	$ 77,790,694

(5) Other Post-Employment Benefits (OPEB), Continued

C. Changes in the Total OPEB Liability, Continued:

Healthcare Cost Trend Rate Sensitivity Analysis: The following schedule presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact on the OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the current healthcare cost trend rate used in measuring the 2019 OPEB liability.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
OPEB Liability	$ 74,771,472	$ 92,013,986	$ 114,860,291

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

For the years ended September 30, 2020 and 2019, the Authority recognized OPEB expense of $5,434,675 and $2,847,778, respectively. At September 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 20,057,226	$ -	$ 4,875,313	$ 11,171,774
Difference between expected and actual experience		12,064,107	-	15,386,595
Contributions subsequent to the measurement date	1,475,500		1,681,439	-
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	2,135,393	8,579,443	2,285,740	-
	$ 23,668,119	$ 20,643,550	$ 8,842,492	$ 26,558,369

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2019 will be recognized in OPEB expense as follows:

Year Ended September 30	
2021	$ (143,368)
2022	(143,368)
2023	(1,728,602)
2024	1,427,356
2025	2,137,052
	$ 1,549,069

(6) Long-Term Liabilities

A. Long-Term Debt

Long-term bank debt consists of the following:

	2020	2019
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.	21,825,000	21,825,000
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.	15,940,000	18,320,000
Total long-term debt	67,745,000	70,125,000
Less current portion	(2,465,000)	(2,380,000)
	65,280,000	67,745,000
Add premium on bonds	4,762,079	5,001,699
	$ 70,042,079	$ 72,746,699

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

All gross revenues of the Authority, except for crane surcharge, facility maintenance fee, and public marina revenues, have been pledged to secure the payment of the bond principal and interest. For the year ended September 30, 2020, the debt service for the series bonds was $5,745,862 or approximately 12.31% of pledged gross revenues.

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

(6) Long-Term Liabilities, Continued

A. Long-Term Debt, Continued

As of September 30, 2020, future maturities of long-term debt are as follows:

Year Ending September 30,	Principal	Interest	Total Debt Service
2021	$ 2,465,000	$ 3,280,862	$ 5,745,862
2022	2,560,000	3,182,633	5,742,633
2023	2,685,000	3,063,896	5,748,896
2024	2,820,000	2,935,842	5,755,842
2025	2,955,000	2,801,618	5,756,618
2026 through 2030	12,445,000	11,975,214	24,420,214
2031 through 2035	8,210,000	9,672,750	17,882,750
2036 through 2040	10,485,000	7,403,250	17,888,250
2041 through 2045	13,380,000	4,507,750	17,887,750
2046 through 2048	9,740,000	989,750	10,729,750
	$ 67,745,000	$ 49,813,565	$ 117,558,565

Changes in long-term bank debt for the years ended September 30, 2020 and 2019 are as follows:

	Outstanding at September 30, 2019	Increases	Decreases	Outstanding at September 30, 2020	Current	Noncurrent
2018 Series A bonds	$ 29,980,000	$ -	$ -	$ 29,980,000	$ -	$ 29,980,000
2018 Series B bonds	21,825,000	-	-	21,825,000	-	21,825,000
2018 Series C bonds	18,320,000	-	2,380,000	15,940,000	2,465,000	13,475,000
Unamortized premium on 2018 Series bonds	5,001,699	-	239,620	4,762,079	-	4,762,079
	$ 75,126,699	$ -	$ 2,619,620	$ 72,507,079	$ 2,465,000	$ 70,042,079

	Outstanding at September 30, 2018	Increases	Decreases	Outstanding at September 30, 2019	Current	Noncurrent
2018 Series A bonds	$ 29,980,000	$ -	$ -	$ 29,980,000	$ -	$ 29,980,000
2018 Series B bonds	23,145,000	-	1,320,000	21,825,000	-	21,825,000
2018 Series C bonds	18,320,000	-	-	18,320,000	2,380,000	15,940,000
Unamortized premium on 2018 Series bonds	5,252,614	-	250,915	5,001,699	-	5,001,699
	$ 76,697,614	$ -	$ 1,570,915	$ 75,126,699	$ 2,380,000	$ 72,746,699

(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, 2020 and 2019. 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, 2020 and 2019, 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.

(6) Long-Term Liabilities, Continued

A. Long-Term Debt, Continued

Bond Covenants, Continued

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

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

B. Other Long-Term Liabilities

Changes in other long-term liabilities in fiscal year 2020 and 2019 were as follows:

	Outstanding at September 30, 2019	Increases	Decreases	Outstanding at September 30, 2020	Current	Noncurrent
Accrued annual leave	$ 1,845,025	$ 1,980,677	$ 1,564,760	$ 2,260,942	$ 1,798,867	$ 462,075
Accrued sick leave	1,086,660	1,165,390	708,130	1,543,920		1,543,920
Net pension liability	55,215,897	14,098,703	5,796,797	63,517,803	-	63,517,803
OPEB liability	67,314,364	26,381,060	1,681,438	92,013,986	-	92,013,986
	$ 125,461,946	$ 43,625,830	$ 9,751,125	$ 159,336,651	$ 1,798,867	$ 157,537,784

	Outstanding at September 30, 2018	Increases	Decreases	Outstanding at September 30, 2019	Current	Noncurrent
Accrued annual leave	$ 1,820,487	$ 1,569,498	$ 1,544,960	$ 1,845,025	$ 1,378,855	$ 466,170
Accrued sick leave	993,731	675,132	582,203	1,086,660	-	1,086,660
Net pension liability	54,652,898	6,186,133	5,623,134	55,215,897	-	55,215,897
OPEB liability	84,786,658	6,724,192	24,196,486	67,314,364	-	67,314,364
	$ 142,253,774	$ 15,154,955	$ 31,946,783	$ 125,461,946	$ 1,378,855	$ 124,083,091

(7) Major Customers

For the years ended September 30, 2020 and 2019, the Authority has two major shipping agency customers that collectively accounted for 65.46% and 65.63% 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.

(8) Rental Operations

The Authority leases space to tenants under non-cancelable operating leases, with options to renew, providing for future minimum rentals. The minimum future rentals on non-cancelable operating leases for the five succeeding fiscal years and thereafter, are as follows:

Year Ending September 30,	Amount
2021	$ 703,556
2022	622,446
2023	622,446
2024	622,446
2025	621,481
Thereafter	4,899,233
	$ 8,091,608

The Authority also leases equipment and space to tenants on a month-to-month basis.

Total equipment and lease space revenue from tenants for all rentals totaled $9,191,997 and $8,833,474 for the years ended September 30, 2020 and 2019, respectively.

(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.

(9) Commitments and Contingencies, Continued

Port Modernization Plan, Continued

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.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of the Government of Guam who earn a superior performances grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. The remaining estimated accrued merit bonus as of September 30, 2020 and 2019 is $54,000.

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, 2020 and 2019.

Lawsuit and Claims

The Authority is a defendant in various lawsuits and proceedings arising in the normal course of business. At September 30, 2020, the Authority accrued approximately $1.9 million, included in security deposits and other payables account in the statements of net position, for estimated settlements of various litigation.

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

(9) Commitments and Contingencies, Continued

Contract Commitments

As of September 30, 2020, the Authority has various on-going construction contracts with a total contract price of $14.1 million, of which $9.9 million has been recorded as construction work-in-progress.

Purchase Commitments

As of September 30, 2020, the Authority has outstanding purchase orders for various equipment purchases totaling $10 thousand.

(10) Restricted Net Position

At September 30, 2020 and 2019, net position is restricted for the following purposes:

	2020	2019
Debt service	$ 32,532,334	$ 33,641,424
Future crane acquisition or extraordinary crane maintenance	4,368,915	3,785,201
Maintenance, replacements, and repair of facilities	4,474,116	2,532,505
	$ 41,375,365	$ 39,959,130

(11) COVID-19

The Authority's operations have been affected by the recent and ongoing outbreak of the coronavirus disease. As a result of the spread of the COVID-19 coronavirus, governments worldwide implemented actions to restrict travel and economic activities. The ultimate disruption which may be caused by the outbreak is uncertain, therefore, the actual impact on the Authority's business, results of operations, and financial position for fiscal year 2021 and beyond is currently not determinable.

OTHER FINANCIAL INFORMATION

PORT AUTHORITY OF GUAM
(A Component Unit of the Government of Guam)

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

Defined Benefit Plan

	2020	2019	2018	2017	2016	2015
Total Government of Guam net pension liability	$ 1,214,462,675	$ 1,179,192,550	$ 1,142,249,393	$ 1,368,645,126	$ 1,436,814,230	$ 1,246,306,754
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	$ 46,826,407	$ 41,041,830	$ 39,782,133	$ 43,796,523	$ 44,375,587	$ 37,618,961
PAG's proportion of the net pension liability	3.86%	3.48%	3.48%	3.20%	3.09%	3.02%
PAG's covered-employee payroll**	$ 19,644,856	$ 17,885,121	$ 17,703,032	$ 16,202,268	$ 15,793,402	$ 15,241,377
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	238.36%	229.47%	224.72%	270.31%	280.98%	246.82%
Plan fiduciary net position as a percentage of the total pension liability	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%

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

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2020	2019	2018	2017
Total Government of Guam net pension liability***	$ 324,192,725	$ 289,875,668	$ 288,147,121	$ 229,486,687
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	$ 13,573,770	$ 11,646,387	$ 11,683,996	$ 9,759,549
PAG's proportion of the net pension liability	4.19%	4.02%	4.05%	4.25%
PAG's covered-employee payroll**	$ 21,332,343	$ 20,645,687	$ 20,610,932	$ 21,532,740
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	63.63%	56.41%	56.69%	45.32%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	2020	2019	2018	2017
Total Government of Guam net pension liability***	$ 59,884,407	$ 49,342,424	$ 62,445,490	$ 61,688,067
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	$ 3,117,626	$ 2,527,680	$ 3,186,769	$ 3,211,338
PAG's proportion of the net pension liability	5.21%	5.12%	5.10%	5.21%
PAG's covered-employee payroll**	$ 12,260,578	$ 13,548,374	$ 19,228,448	$ 19,004,676
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	25.43%	18.66%	16.57%	16.90%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 4,720,759	$ 4,540,620	$ 4,210,492	$ 4,017,046	$ 4,172,659	$ 4,062,777
Contributions in relation to the statutorily required contribution	4,686,893	4,728,288	4,363,054	3,981,412	4,154,190	4,047,929
Contribution (excess) deficiency	$ 33,866	$ (187,668)	$ (152,562)	$ 35,634	$ 18,469	$ 14,848
PAG's covered-employee payroll **	$ 19,644,856	$ 17,885,121	$ 17,703,032	$ 16,202,268	$ 15,793,402	$ 15,241,377
Contribution as a percentage of covered-employee payroll	23.86%	26.44%	24.65%	24.57%	26.30%	26.56%

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

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Required Supplemental Information (Unaudited)
Schedule of Changes in the Proportional Share of the Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	2020	2019	2018	2017
Service cost	2,492,109	$ 2,980,600	$ 3,385,608	$ 2,692,805
Interest	2,885,664	3,156,104	2,797,108	2,865,259
Changes in proportionate share	407,840	3,313,976	(10,865)	9,495,484
Difference between expected and actual experience	-	(18,753,465)	-	-
Change of assumptions	20,456,909	(6,524,999)	(8,713,844)	-
Benefit payments	(1,542,900)	(1,644,510)	(1,508,536)	(1,508,536)
Net change in OPEB liability	24,699,622	(17,472,294)	(4,050,529)	13,545,012
OPEB liability, beginning	67,314,364	84,786,658	88,837,187	75,292,175
OPEB liability, ending	$ 92,013,986	$ 67,314,364	$ 84,786,658	$ 88,837,187
Covered-employee payroll as of valuation date	$ 19,172,254	$ 17,724,837	$ 17,004,433	$ 17,004,433
OPEB liability as a percentage of covered-employee payroll	479.93%	379.77%	498.62%	522.44%
Notes to schedule:				
Discount rate	2.660%	4.180%	3.630%	3.630%

Change in benefit terms:
None.

Change of assumptions:
Discount rate has changed from respective measurement dates.

* This data is presented for those years for which information is available.
** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Total OPEB Liability
Last 10 Fiscal Years*

	2020	2019	2018	2017
Total OPEB liability **	$ 2,553,523,376	$ 1,874,970,335	$ 2,431,048,672	$ 2,532,753,040
PAG's proportionate share of the total OPEB liability	$ 92,013,986	$ 67,314,364	$ 84,786,658	$ 88,837,187
PAG's proportion of the total OPEB liability	3.60%	3.59%	3.49%	3.51%
PAG's covered-employee payroll	$ 19,172,254	$ 17,724,837	$ 17,004,433	$ 17,004,433
PAG's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	479.93%	379.77%	498.62%	522.44%

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

** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

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

	2020	2019	2018	2017
Actuarially determined contribution	$ 6,574,050	$ 7,774,898	$ 8,055,416	$ 6,995,373
Contributions in relation to the actuarially determined contribution	1,542,900	1,644,510	1,508,536	1,508,536
Contribution deficiency	$ 5,031,150	$ 6,130,388	$ 6,546,880	$ 5,486,837
Covered-employee payroll as of valuation date	$ 19,172,254	$ 17,724,837	$ 17,004,433	$ 17,004,433
Contributions as a percentage of covered-employee payroll	8.05%	9.28%	8.87%	8.87%

Notes to schedule:

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2019

Method and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period for pay-as-you-go funding.
Amortization period:	30 years
Inflation:	2.75%
Healthcare cost trend rates:	Non-medicare 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2030 and later years.
Salary increase:	4.0% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB
Mortality (Disabled Retiree):	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB

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

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Details of Operating Expenses
Years Ended September 30, 2020 and 2019

		2020		2019
Management and Administration:				
Management:				
Salaries and wages - regular	$	569,481	$	615,409
Pension cost		194,984		170,289
Annual leave		48,224		51,969
Benefits - Government contribution		25,435		27,301
Fringe benefits		9,857		17,200
Office supplies		2,672		1,981
Furnishings and equipment		135		52
Miscellaneous		10,253		50,816
Total management		861,041		935,017
Administration:				
Salaries and wages - regular		7,814,611		6,572,804
Pension cost		2,474,943		1,833,978
Annual leave		609,992		532,057
Salaries and wages - overtime		629,109		477,916
Fringe benefits		455,371		379,406
Benefits - Government contribution		363,264		298,714
Repairs and maintenance		189,243		188,203
Salaries and wages - other		677,478		92,087
Furnishings and equipment		76,860		90,420
Operational supplies		79,290		73,860
Office supplies		40,496		31,675
Miscellaneous		319,737		359,965
Total administration		13,730,394		10,931,085
Total management and administration	$	14,591,435	$	11,866,102

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PORT AUTHORITY OF GUAM
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Details of Operating Expenses, Continued
Years Ended September 30, 2020 and 2019

		2020		2019
Equipment Maintenance:				
Salaries and wages - regular	$	3,039,824	$	2,895,742
Pension cost		1,085,939		831,643
Repairs and maintenance		593,991		768,921
Operational supplies		431,313		356,170
Salaries and wages - overtime		265,532		307,477
Annual leave		254,926		232,499
Fringe benefits		210,734		210,179
Salaries and wages - other		340,777		173,318
Benefits - Government contribution		139,428		129,497
Contractual		13,642		146,758
Furnishings and equipment		13,562		21,859
Office supplies		1,602		2,162
Total equipment maintenance	$	6,391,270	$	6,076,225
Transportation Services:				
Salaries and wages - regular	$	3,105,016	$	2,801,785
Pension cost		1,081,706		790,602
Salaries and wages - overtime		558,584		546,850
Gas, oil and diesel		207,436		274,155
Fringe benefits		240,536		215,979
Annual leave		234,389		211,574
Salaries and wages - other		413,464		166,892
Benefits - Government contribution		158,699		137,920
Furnishings and equipment		4,344		4,127
Office supplies		1,585		1,978
Operational supplies		766		903
Total transportation services	$	6,006,525	$	5,152,765

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Details of Operating Expenses, Continued
Years Ended September 30, 2020 and 2019

	2020	2019
Stevedoring Services:		
Salaries and wages - regular	$ 2,380,813	$ 2,230,833
Pension cost	821,448	617,537
Salaries and wages - overtime	404,598	344,079
Annual leave	181,515	171,985
Fringe benefits	181,647	167,269
Salaries and wages - other	298,692	145,387
Benefits - Government contribution	122,397	111,263
Operational supplies	839	2,770
Office supplies	203	1,247
Total stevedoring services	$ 4,392,152	$ 3,792,370
Facility Maintenance:		
Salaries and wages - regular	$ 1,140,249	$ 1,096,031
Pension cost	370,164	308,237
Operational supplies	126,700	163,187
Salaries and wages - overtime	105,968	97,169
Fringe benefits	109,705	96,329
Annual leave	80,360	81,964
Benefits - Government contribution	56,956	53,518
Furnishings and equipment	21,269	34,748
Salaries and wages - other	83,954	14,675
Repairs and maintenance	3,690	2,797
Office supplies	175	71
Miscellaneous	16,814	13,202
Total facility maintenance	$ 2,116,004	$ 1,961,928

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PORT AUTHORITY OF GUAM
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Details of Operating Expenses, Continued
Years Ended September 30, 2020 and 2019

		2020		2019
Terminal Services:				
Salaries and wages - regular	$	1,873,983	$	1,770,716
Pension cost		654,565		497,059
Salaries and wages - overtime		243,936		228,810
Annual leave		143,543		129,751
Fringe benefits		137,589		118,812
Benefits - Government contribution		91,564		82,618
Salaries and wages - other		199,308		55,218
Operational supplies		4,018		5,313
Office supplies		2,903		4,938
Furnishings and equipment		-		348
Total terminal services	$	3,351,409	$	2,893,583
General Expenses:				
Managers' fee	$	782,831	$	750,919
Legal counsel		77,245		564,802
Professional services		304,600		474,788
Maintenance		114,673		243,591
Waste removal		91,177		107,576
Audit		49,000		50,000
Claims and damages		444,605		48,419
Port incentive award		15,068		48,163
Board of Directors expense		22,906		9,169
Workmen's compensation injury allowance		10,069		8,646
Agency fee		7,096		5,849
Inventory adjustment		52,040		1,786
Miscellaneous		559,341		398,659
Total general expenses	$	2,530,651	$	2,712,367

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Summary of Salaries and Wages
Years Ended September 30, 2020 and 2019

	2020	2019
Salaries and wages - regular	$ 19,923,977	$ 17,983,320
Salaries and wages - overtime	2,207,727	2,002,301
Benefits - Government contribution	957,743	840,831
Fringe benefits	1,345,439	1,205,174
Salaries and wages - other	2,013,673	647,577
	$ 26,448,559	$ 22,679,203

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Employees by Department
Years Ended September 30, 2020 and 2019

	2020	2019
Department:		
Management and administration	136	123
Equipment maintenance	53	55
Transportation services	62	62
Stevedoring services	59	49
Facility maintenance	25	28
Terminal services	38	39
	373	356

See Accompanying Independent Auditors' Report.