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

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2019 AND 2018

Deloitte.

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

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, 2019 and 2018, 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.

Deloitte.

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, 2019 and 2018, 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 determined that the COVID-19 pandemic will impact its business, results of operations and net position. However, due to uncertainty surrounding the duration of the state of emergency, the Authority is unable to reasonably estimate its ultimate financial impact. Our opinion 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 17 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 53 through 55, the Schedule of Pension Contributions on page 56, the Schedule of Changes in the Proportional Share of the Total OPEB Liability and Related Ratios on page 57, the Schedule of Proportional Share of the Total OPEB Liability on page 58, and the Schedule of OPEB Contributions on page 59 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 60 through 64 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.

Deloitte.

Other Matters, Continued

Other Financial Information, Continued

The schedule of employees by department on page 65 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 May 8, 2020 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

May 8, 2020

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, 2019, and 2018. 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.

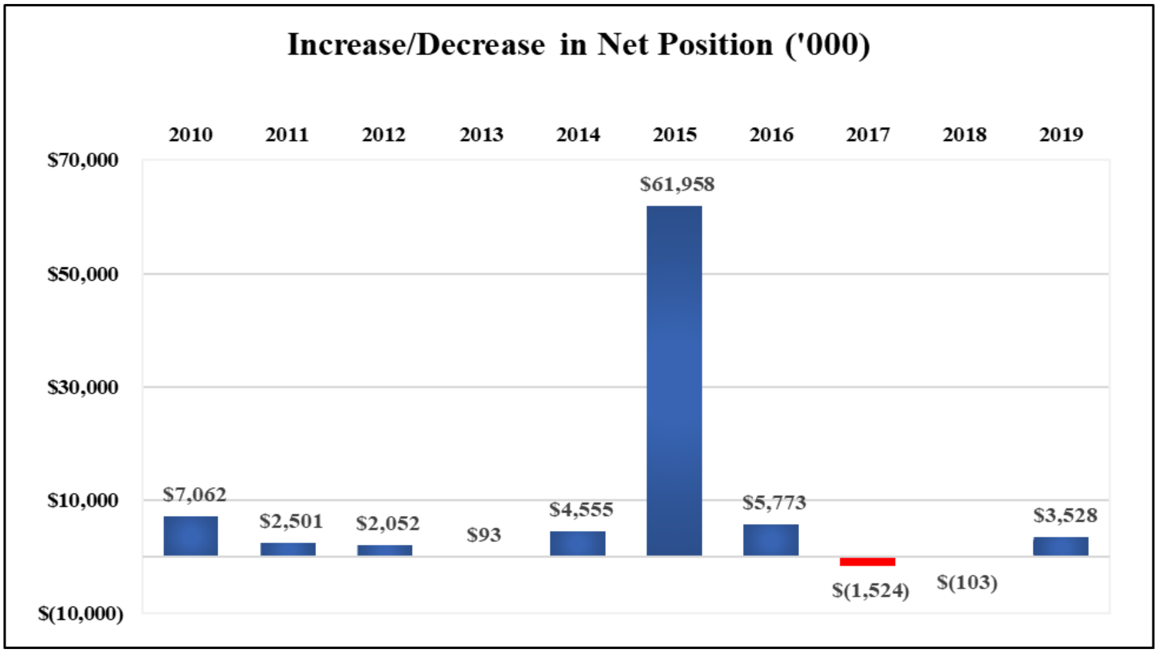
FINANCIAL HIGHLIGHTS

- The net position of the Authority as of September 30, 2019, was $15.4 million. Of this amount, $90.7 million is a net investment in capital assets, $39.9 million is considered restricted, and ($115.2) million is considered unrestricted.

- The Port's net position increased by $3.5 million for the fiscal year ended on September 30, 2019.

- The Port's total assets and deferred outflows of resources increased by $5.3 million during the fiscal year ended September 30, 2019. The major component of this change was an increase in the Port's cash and cash equivalents.

- The total liabilities decreased by $16.8 million during the fiscal year ended on September 30, 2019.



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.

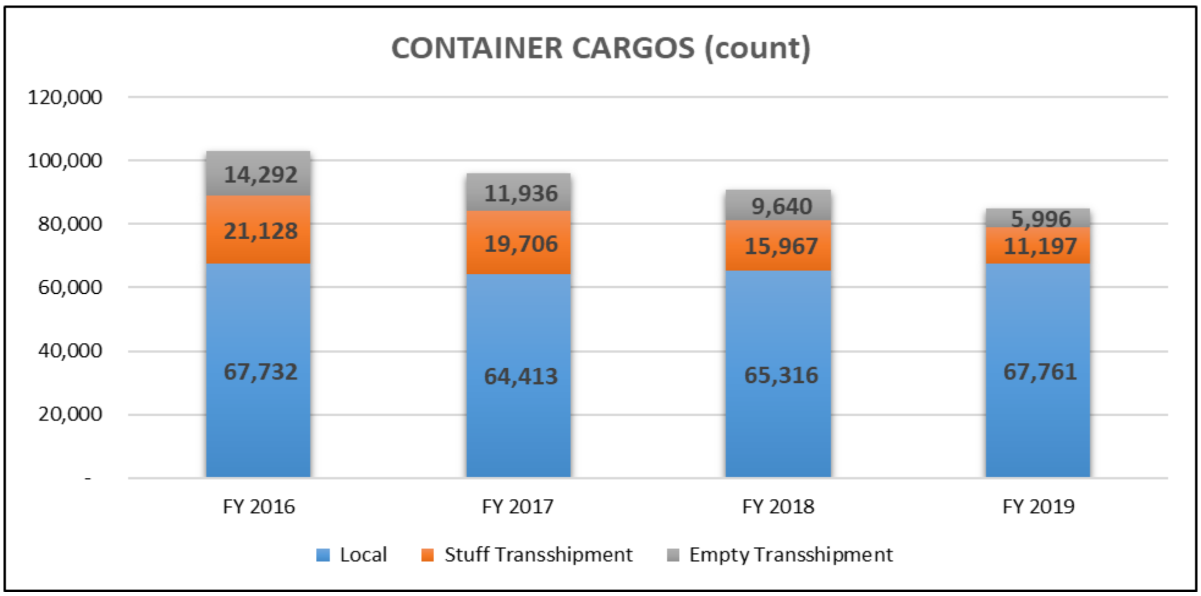
Authority Activities and Highlights

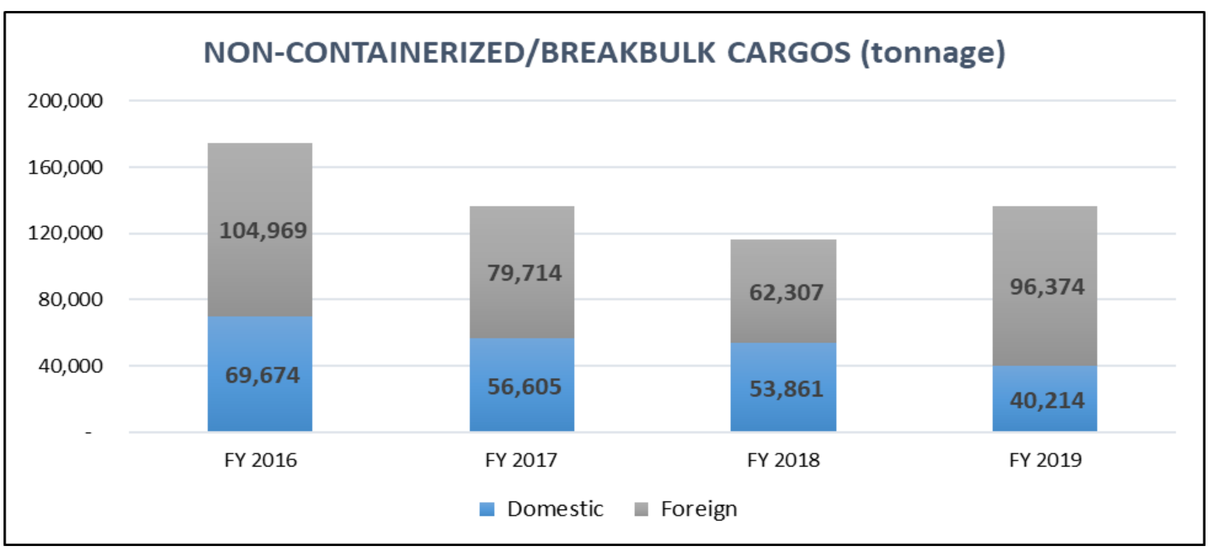
FY2019 Cargo Operations Results

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 which 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 FY19, the total number of containers handled is 84,954 containers. The FY19 numbers are a decrease of 6.6% as compared to FY18 container count of 90,923. The breakdown for the total containers in FY19 is as follows: 68K of local containers, 11K of stuff transshipment and 6K of empty transshipment. The main reason for the decrease is in the drop of transshipment containers by 33% as compared to FY18 numbers. Although the transshipment containers continue to decrease for the past 3 years, the number of local containers handled continues to improve in 2017 and 2018, which resulted in almost the same numbers as the FY16 local containers total of 68K. The total FY19 local containers increased by 3.7% as compared to FY18 local containers of 65K. Breakbulk (non-containerized) cargos resulted in an increase in FY19 by 18%, from 116K in FY18 to 137K in FY19.





Financial Highlights

The Port's FY19 current assets of $69.4 million is an increase of 7.5% or $4.9 million as compared to FY18 current assets of $64.5 million. The main reason for this positive variance was due to an increase in total cash and cash equivalents by almost 10%, from $58.9 million to $64.6 million.

The total assets increased by 2% or $4 million, from $232 million in FY18 to $236 million in FY19. In FY19, depreciable assets decreased by $2.2 million because of regular depreciation and a survey of assets. The total assets and deferred outflows of resources in FY19 are $251 million.

On the side of the Port's liabilities, the FY19 total of $207 million is a decrease of almost 8% or $16.8 million. Major factors for the decrease are: Accounts Payable Trade – reduction of $1.3 million or (-44%), and Other Post-Employment Benefits liability – reduction of $17.5 million or (-21%).

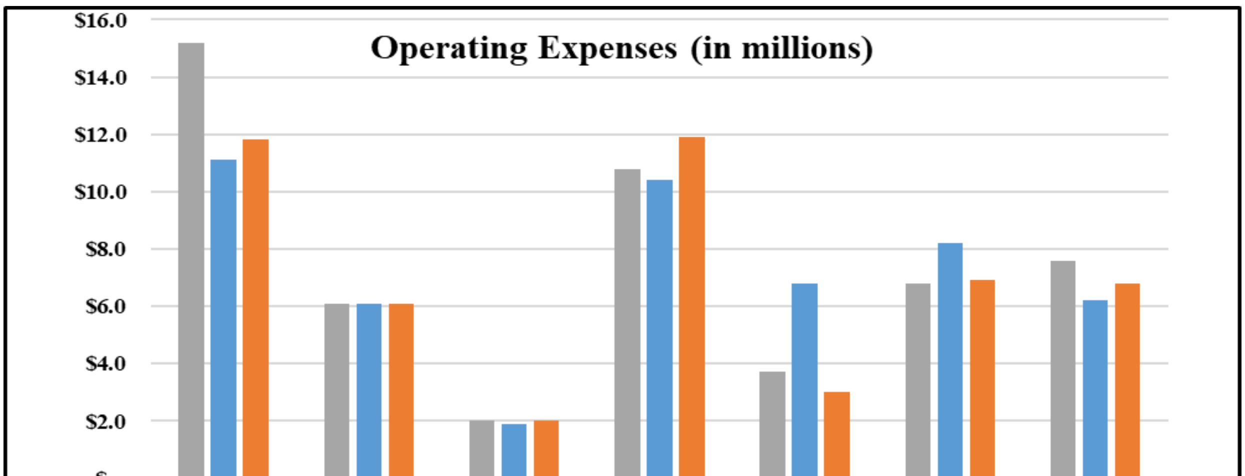
The total deferred inflows of resources of $28.7 million is an increase of 186% or $18.7 million as compared to FY18. The agency's net position signified financial growth, from $11.9 million in FY18 to $15.4 million in FY19, a positive variance of $3.5 million or almost 30%. After adding the total deferred inflows of resources and the net position, the FY19 total liabilities, deferred inflows of resources and net position are $251 million.

Condensed Statements of Net Position
(In thousands)

	2019	2018	2017 (Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Current and other assets	$ 118,906	$ 113,150	$ 47,525
Capital assets	116,868	118,604	123,830
Total assets	235,774	231,754	171,355
Deferred outflows of resources	15,602	14,278	16,010
Total assets and deferred outflows of resources	$ 251,376	$ 246,032	$ 187,365
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities	$ 10,397	$ 7,699	$ 7,523
Other non-current liabilities	196,830	216,364	166,800
Total liabilities	207,227	224,063	174,323
Deferred inflows of resources	28,705	10,053	1,023
Net position:			
Net investment in capital assets	90,687	89,898	102,242
Restricted – expendable	39,959	30,475	6,160
Unrestricted	(115,202)	(108,457)	(96,383)
Total net position	15,444	11,916	12,019
Total liabilities, deferred inflows of resources and net position	$ 251,376	$ 246,032	$ 187,365

The Port's total operating revenues increased by 2% or $1.1 million, from $54.2 million in FY18 to $55.3 million in FY19. Besides the 1% tariff rate increase at the beginning of FY19, the revenue categories that resulted in the positive increase were: Cargo Throughput +2.6%, Wharfage +6.2%, and Other Operating Income +296%. As mentioned in the previous section, the local container cargos increased by 3.7%, and the breakbulk cargos increased by 18% as compared to FY18 results. The increase in other operating income was due to increase activity in passenger vessels and income from donated vehicles and heavy equipment from other government agencies.

The total operating expenses in FY19 were lower by 4.7% or $2.3 million as compared to FY18, from $50.7 million in FY18 to $48.4 million in FY19. Although the total operating expenses was a decrease from the prior year, there were increases in the functional departments' regular salaries and overtime expenses in the sum of $1.5 million, from $11.4 million in FY18 to $12.9 million in FY19. In September of 2018, prior management implemented a new pay schedule under the Port Authority of Guam's Compensations and Classification plan. This new compensation plan was not part of the expense projection in the Port's Fiscal Year 2019 Budget. When the new management was undergoing the mid-year budget review, the unfunded increase in salaries was discovered due to the positive variance between the tracking of regular salaries and overtime versus the FY19 salary and overtime budget. Through austerity measures, the Port continued to operate within the total approved budget expenses and met the requirements of its bond indenture. In addition to the decrease in the division's operational expenses, the overall general expenses also decreased by 31%, which equates to $1.2 million of cost avoidance. The following FY19 expense categories, under general expenses, are lower than FY18: professional services (-50%), legal counsel (-39%), workman's compensation injury allowance (-75%), and maintenance expense (-55%).



	Operations	Equipment Maintenance	Facility Maintenance	Management and Administration	Retiree Healthcare and Other Benefits	General Expenses	Depreciation
FY 2017	$15.2	$6.1	$2.0	$10.8	$3.7	$6.8	$7.6
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

The earnings from operations in FY19 is $6.9 million, which is a 92% improvement from the FY18 total of $3.6 million. The total non-operating expenses are $4.1 million, wherein almost $3.1 million was booked as a contingency expense to recognize the liabilities to employees who had adverse action cases wherein they either won their court cases or settled by the Board of Directors.

These contingency liabilities represent salaries, benefits, and legal fees owed to these employees ranging from three to eight years under court proceedings. Prior management did not recognize these contingency liabilities in previous years despite the Civil Service Commission's decisions favoring the employees. The result of the financial operations for the Port, after the non-operating expenses and the U.S. government grants are recorded, is an increase in net position of $3.5 million. This FY19 result in net position is a $3.5 million variance as compared to FY18 outcome of a $103 thousand deficit in net position.

Changes in Net Position
(In thousands)

	2019	2018	2017 (Restated)	% Increase/ Decrease from 2018
Operating revenues:				
Cargo throughput charges	$ 34,357	$ 33,496	$ 30,715	2.6%
Equipment and space rental	8,834	9,015	8,769	-2.0%
Crane surcharge	5,875	5,958	6,092	-1.4%
Wharfage charges	5,771	5,435	4,986	6.2%
Special services	199	206	224	-3.4%
Other operating income	229	58	108	294.8%
	55,265	54,168	50,894	2.0%
(Provision for) recovery of bad debts	(29)	162	(141)	-117.9%
	55,236	54,330	50,753	1.7%
Operating expenses:				
Operations	11,839	11,091	12,351	6.7%
Equipment maintenance	6,076	6,087	5,641	-0.2%
Facility maintenance	1,962	1,945	1,987	0.9%
Management and administration	11,866	10,433	10,822	13.7%
Retiree healthcare and other benefits	2,960	6,765	7,551	-56.2%
General expenses	6,885	8,213	7,696	-16.2%
Depreciation	6,766	6,210	6,103	8.9%
Total operating expenses	48,354	50,744	52,151	-4.7%
Earnings (loss) from operations	6,882	3,586	(1,398)	91.9%
Non-operating expenses, net	(4,051)	(3,922)	(436)	3.3%
Earnings (loss) before capital contributions	2,831	(336)	(1,834)	-942.6%
U.S. Government grants	697	233	310	199.1%
Increase (decrease) in net position	3,528	(103)	(1,524)	-3525.2%
Net position at beginning of year	11,916	12,019	13,543	-0.9%
Net position at end of year	$ 15,444	$ 11,916	$ 12,019	29.6%

Key Factors in the FY19 Increase in Net Position and FY20 Outlook

Legal Services:

Because of the amount of costs incurred by the Port for legal services, management was authorized to look at alternatives to determine if it would be beneficial for the Port to employ a staff attorney to be involved in the day-to-day Port transactions. For complex maritime issues, Port management was to consider the possibility of issuing a Request for Proposal to retain a lawyer or firm who has expertise in the maritime industry.

Within the first six months, management completed the transparency and disclosure process for the creation of an in-house attorney. In July 2019, a new staff attorney was employed and began immediately to review the ongoing litigations. The employment of this attorney has provided substantial savings to the Port.

A pre-proposal conference for the RFP on professional legal services was held on February 25, 2020; however, there were no attendees. The deadline for submission of the proposal has been extended to April 7, 2020.

Port Insurance:

Averted the potential cancellation action by the insurance carriers to cancel the Port's insurance coverage if payment of premiums were not made, Board approval was obtained to pay the premium balance, which satisfied the requirements of the continuing insurance coverage by the carriers. Because the insurance contract is for a five-year period at an accrual amount and to ensure that the Port complies with Public Utilities Commission's (PUC) contract protocol, Port requested PUC guidance as to whether the FY 2019 insurance premium increase would require the approval of PUC. PUC explained that the increase of premiums may exceed the aggregate amount the contract was originally approved for and requested the Port to provide notice of the total premium cost for FY 2021 for its review.

Union Contract:

The first union contract was approved by the prior Board in 2012. The contract was stalled due to lack of signatures by the Governor and Attorney General. In February 2019, the Port and union representatives returned to the negotiation table to augment the current contract provisions to improve the employees' work-life at the Port. The guiding principles centered around the agreement was consistent with the rule of law, fairness, transparency and a structure which promotes a healthy employee/management relationship for not only all employees but also the Port as a whole.

This union contract was approved by the Board on July 30, 2019 and transmitted to the Attorney General for legal review. The Attorney General reviewed the contract and expressed three areas of concern: (1) effective dates of the agreement; (2) arbitration clause; and (3) exclusive recognition. After the concerns were satisfied, the Board approved the amended contract on November 19, 2019. The contract was re-submitted to the Attorney General for signature and will be forwarded to the Governor for her approval. On January 20, 2020, Governor Lou Leon Guerrero signed the collective bargaining agreement.

In June 2019, management implemented the new schedule of 8 hours for employees in day and night shifts which was agreed upon in the union contract. The comparison between the old and new schedule showed that overtime had dropped by 14.6% despite what critics who opposed the new schedule voiced that the new schedule would increase overtime expenditures.

Port Finances, Staffing and Manpower Requirements:

a. Finance Division Organizational Structure: On March 29, 2019, the Board rescinded the May 30, 2018 action of the prior Board reverting the Finance Division to its original organizational structure and reflecting the Financial Affairs Controller as the head of the division.

b. Income Statement and Fiscal Year 2019 Budget: Management presented to the Board a comparative income statement for Fiscal Years 2010 to 2019. The document revealed that out of the 10 years, the Port had net loss of $1.5 million in 2017 and $103,000 in 2018.

   In 2019, through austerity measures that management implemented, the Port realized a positive net income of $3.5 million irrespective of the fact that the initial FY2019 Budget did not include: (1) the cost impact of the 2019 compensation plan; (2) expenditures incurred during the preparation and post Typhoons Yutu and Wutip; and (3) OSHA certification inspection. Despite the unfunded expenses, the Port continued to operate within the total approved budget expenses and met the requirements of its bond indenture.

c. Crane Surcharge Reserve Account: On December 11, 2012, PUC approved the Port's petition for a crane surcharge fee and recommended the revenues be separated into two accounts—crane operating account and crane reserve account. When reviewing the potential funding for a new crane, it was discovered that the Port was maintaining only one savings account for all crane surcharge revenues. On July 30, 2019, the Board approved establishing a crane surcharge reserve account, which will allow the Port to obtain an estimated increase in interest earnings of about $60,000.

d. Facility Maintenance Fee Investment Account: On January 29, 2010, PUC approved the Port's petition for a Facility Maintenance fee. It was recommended to the Board, which they approved on August 27, 2019, to open an account which revenues deposited will accrue a higher interest income—similar to the crane surcharge reserve account.

e. Port Enterprise Fund Close-Out Report: The audit reports for FY 2015 to 2018 notated the Port Modernization Plan has been completed and final turn over documents have not been submitted by MARAD. Discussions have been held with MARAD regarding the residual funds of $2 million in the fund. MARAD has procured two top loader which arrived on island on January 24, 2020. The purchase amount is about $1.6 million—leaving a remaining of $900,000. The Port has asked MARAD to reprogram the remaining funds to support other port projects.

Hotel Wharf:

In March 2019, the Port was informed of the $10 million TIGER grant September 2019 deadline to obligate the monies has been changed to July 2019 and an environmental plan of action, which MARAD has requested the Port to produce three (3) years prior. It was emphasized that the documents must be submitted by April 2019 or risk losing the $10 million TIGER grant.

In April 2019, Port submitted the Environmental Assessment and Finding of No Significant Impact (FONSI) for Hotel Wharf which was approved by MARAD. In September 2019, MARAD granted notice to proceed on the $10 million TIGER grant for Hotel Wharf rehabilitation program. Port consultants are currently preparing the coral relocation work, the RFP for construction management is with Port Legal Counsel for review and waiting for EPA to issue the water quality permit to the Port. Groundbreaking is expected to occur early part of this year.

Revenue Bond Legislation and Projects:

In 2017, a structural assessment report on the Port's waterfront facilities recommended much-needed repairs to F1 and wharves be addressed. Additionally, the new management was informed that a connectivity line between Golf Pier and F1 would need to be installed to ensure the fuel import/export is not disrupted while the fuel piers' repair work is ongoing. Another important project that was brought up is the Port's informational technology systems—Terminal Operating and Financial Management systems—were needed for the Port to realize the actual expenditures and revenues received for vessel operation. These projects were not funded internally and in the 2018 Port bonds.

Public Law 34-70 authorized the Port to issue revenue bonds to provide funding for capital improvements projects and refinance all or portions of outstanding loans. The law was specific in nature and did not allow latitude in reprograming such bond money to fund critical projects that would have an adverse impact on the Port's cash flow.

After reviewing what projects in the legislation could be downsized, it was noted that the 2010 Master Plan had recommended an annex building be constructed connecting it to the existing administration building. The Master Plan indicated the existing building is structurally safe and its infrastructure would need to be upgraded. Management discussed with Bond Counsel and GEDA regarding projects not included in the revenue bond and they were amendable to amendments to the current legislation. It was noted they were receptive to the fact the Port was looking after its revenue-generating facilities.

Rather than constructing a new administration building at the cost of $17 million, the Board approved management's recommendation to instead construct an annex building and pursue an amendment to Public Law 34-70 to reprogram funds earmarked for construction of the new building and use such proceeds to fund other critical projects.

On October 16, 2019, the Governor signed into law Bill 149-35, which amended 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. Public Law 35-44 authorized increased funding for the Port's share of the TIGER grant; construction of an annex building; repair of the Port's waterfront facilities—F1, F3, F4, F5 and F6; installation of a connectivity fuel line connecting Golf Pier and F1; and upgrade the Port's information technology system and integrate the terminal operating and financial management systems.

On November 20, 2019, the A&E design and consulting services contracts for the first capital improvement projects funded by the revenue bond proceeds were signed for: (1) structural repairs to Golf Pier; (2) repair and expansion of Equipment Maintenance and Repair Building; (3) repair of Warehouse 1; and (4) replacement and relocation of waterlines.

Port Master Plan Update:

Port master plan was updated in 2013 to take into consideration the re-set of the military build-up and allowing the Port to focus on a balanced modernization program that would address modernization improvements, sustainability projects, and financial self-sufficiency. It was anticipated the military build-up would be pushed back between 2020 and 2026. However, the National Defense Authorization Act (NDAA) for 2015 lifted the four-year freeze on the spending of the Marine relocation. The 2017 and 2018 NDAAs authorized a total of $600 million-plus for new military construction projects. Based on the expected aggregate population increase statistics, Guam is expected to see increases in U.S. Department of Defense military personnel and dependents on the island in 2018 with the highest peak in 2023.

Port Master Plan Update, Continued:

The Port applied and was approved for a grant in the amount $800,000 with the Office of Economic Adjustment. One of the projects funded by the grant is the 2020 Port Master Plan Update. Consultants have started compiling data and the document should be completed by this year.

Procurement Delegation:

Since 2006, the Port has not been granted its procurement delegation by the Chief Procurement Officer of General Services Agency (GSA). Early this year, after Port management met with the Chief Procurement Officer, authorization to the Port was issued to handle purchases up to $10,000. If GSA is satisfied on how the Port handles its procurement, consideration may occur to increase the limitation.

On August 1, 2019, GSA granted the Port six (6) months conditional delegation of procurement authority. Since this delegation, the Port has been working closely with the Chief Procurement Officer involving procurement of materials and supplies, including acquisition of equipment.

In October 2019, a request from the Port seeking the detailed appointment of the Chief Procurement Officer to the Port was approved by the Director of Administration. The Chief Procurement Officer will be working on the performance maintenance contract and revenue bond programs ensuring the procurement process of these critical projects of the Port modernization program is good and the Port is ready to receive its full delegation of procurement authority by the end of the conditional period.

Ongoing Litigations for Civil and Employee Appeals:

a. Civil: Litigation for BME & Sons, Inc. was resolved and payment due to the contractor was issued. Supreme Court issued their decision on Guam YTK on July 18, 2019—which the Port prevailed. For Guam Industrial Services, also known as Guam Shipyard, on December 3, 2019, the Board approved a draft Memorandum of Understanding (MOU) between the Port and Guam Industrial Services to demolish, dismantle and dispose the partially sunk barge at F6 and two gantry cranes. The draft MOU was to provide a collection mechanism of the total debt owed by Guam Industrial Services and would require the review of the Attorney General to determine if the draft MOU would need the approval of the Guam Legislature and Governor of Guam.

b. Employee Appeals: Out of 13 employee adverse action appeals, four (4) appeals are before the Civil Service Commission. Nine (9) employee adverse action appeals have been resolved through settlement, or are currently under settlement discussions or decisions issued by the Civil Service Commission.

Port Policies and Regulations:

a. Travel Regulations: The Board approved the revised Board Policy Memorandum 2019-01, Subject: Travel Regulations, to ensure that the policy is similar to that of other government autonomous agencies.

b. Holiday Work Schedule: Through the recommendation of management, the Board added the Labor Day onto the approved list of holidays observing "No Vessel Operations" to recognize the value of employees and their contributions they made to the strength, prosperity and well-being of the island on this federal holiday.

c. Port's Personnel Rules and Regulations – Salary Increments: On August 27, 2019, the Board reversed their action of September 26, 2018, which reduced the increment sub-steps from 6 to 3 because such reduction would require legislative statutory amendments with the Personnel Rules and Regulations, which was not done.

Port Policies and Regulations, Continued:

d. Drug-Free Workplace Program: Port's consultants, Pacific Human Resources Services, are currently amending the program to reflect the current mandates of medicinal and recreational marijuana use.

Micronesian Cruise Ship Development:

In July 2019, the Governor established through an executive order, a working group for the cruise ship industry, which the Port is appointed as a member. Their goal is for Guam to gain a larger share of the growing cruise industry, including homeporting a small cruise ship, which would create more local jobs to support it. The group is to develop a strategy for a regional small-ship cruise industry, and an important element of the plan is the Port's Hotel Wharf. It is expected that this facility be developed as the primary receiving area for visiting cruise ships.

Federal Grants:

The Port was able to obtain the following grants during the evaluation period:

a. Department of Agriculture: The Port received $500,000 grant to support the repair work of Harbor of Refuge and $512,758 grant for the construction of Agat Marina Dock B.

b. U.S. Department of Defense Office of Economic Adjustment (OEA): The Port received grant award notification for $800,000 in 2019 from OEA to fund the following projects: (1) 2020 Port Master Plan Update; (2) deep draft and fill improvements project feasibility study; (3) Customs Inspection feasibility study; and (4) conceptual design and revised scope of work for the new administration building annex and renovation of existing administration building.

c. Port Security: The Port was awarded $160,867 for the replacement of CCTV system existing analog cameras with digital IP cameras. Also, a grant of $15,000 was provided to Port Police for Operation A'dai He Hao (Watch Out).

Interpersonal Relationships with Users, Government agencies/departments, and employees:

a. MOU-Agat Marina Rescue Base 2: On June 26, 2019, the Board approved an MOU with Guam Fire Department (GFD) to allow them to continue using a portion of the Agat Small Boat Marina Administration Annex to house and support the operation of the Rescue Base Station 1. The MOU was to formalize the relationship with GFD and allow the department to justify the need to repair and upkeep of the facility within their budget allocations.

b. MOU – Guam Power Authority (GPA): The road to GPA's bulk storage tank is a shared access for GPA and Port tenants and users traversing to Harbor of Safe Refuge. The coral road throughout the years has deteriorated and affected the motorists accessing GPA and Port properties. To address this, GPA issued a bid to repair the road. On April 30, 2019, the Port agreed to pay its share of the repair work. The result of this MOU established a partnership with GPA and ensuring the motorists utilizing the road would have easy access to both properties.

c. MOU – U.S. Coast Guard: An MOU with U.S. Coast Guard was signed with the Port regarding Port's waterways and coastal security. The purpose of the agreement is to set the framework and procedures by which both the Port and U.S. Coast Guard will work together to enhance the safety and security of the waters of concurrent jurisdiction.

Interpersonal Relationships with Users, Government agencies/departments, and employees, Continued:

d. Federal Partnerships: In September 2019, the Board and management met with following federal partners to re-establish a relationship held with them and determine what funding opportunities are available to the Port—the outcome of the meetings were positive:

   (1) U.S. Department of Agriculture (USDA): Discuss a potential loan to purchase one (1) gantry crane.

   (2) U.S. Department of Economic Development Administration (EDA): Port held meetings with EDA representatives to leverage public works program, $200 million disaster recovery and annual $100 million funding opportunities. A grant application has been completed for $2 million for F1 pier and Golf Pier fuel pipeline connectivity.

   (3) U.S. Army Corps of Engineers: Discussions were held with representatives of U.S. Army Corps of Engineers regarding potential mitigation and capital improvement funding for Agat marina and shoreline deterioration.

   (4) U.S. Department of Interior Office of Insular Affairs: Explored what technical assistance program, maintenance assistance programs, and other funding opportunities are available to the Port.

   (5) Federal Emergency Management Assistance (FEMA): Provided an update to FEMA officials on ongoing and newly awarded projects.

e. Port Users Group (PUGG): Meetings with the Port User Group (PUGG) were held to improve communication and return ownership of the meeting to them. The results of these meetings have improved productivity levels for vessel operations and have enhanced the relationship between the Port and PUGG.

   One of the participative discussions held with PUGG was the initiative to digitize the cargo tracking which would provide greater efficiencies for fee capture and revenue retention for the Port, as well as, developing a robust, user-friendly shared interface that is instantaneously accessible to the Port, Customs & Quarantine Agency and PUGG. Such project would address the safety and security policies of the Port. To pursue this initiative, Port is seeking possible grant opportunities that are available to fund this project.

   It was also noted during the period that the Port, on one of the vessel operations, deployed all three (3) gantry cranes, which has not been done for many years. This particular operation garnered over 30 moves per hour, and the departure of the vessel was ahead of the estimated time of departure.

f. Employees: Individual and division meetings were held with employees on the goals and objectives set by management. Employees have said that positive changes are happening and expressed appreciation of regaining their voices.

Capital Activities:

The Port's capital activities primarily consist of construction, repairs of facilities and acquisition of assets that are essential to deliver the mission of the agency, which is to provide full services to ocean vessels in support of loading and unloading cargo for Guam and Micronesia. Construction and major repair projects that were completed in 2019 were the Container Yard Pavement repair with a total cost of $3.0 million, Trench Drain repair - $534K and installation of steel aluminum poles - $337K. Other capital activities in 2019 were for the permitting and environmental studies done on the Hotel Wharf project - $274K and acquisitions of assets - $683K.

The construction in progress costs in 2018 were on the Container Yard Pavement repair - $118K, replacement of fuel tank - $54K and Hotel Wharf project - $113K.

Cash used in the capital activities includes proceeds from bonds and revenue funds.

Refer to note 3 to the financial statements for additional details regarding capital asset activities during fiscal years 2019 and 2018.

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, 2019 is as follows:

Revenues	$ 47,235,278
Less Operation and Maintenance Expense	37,831,290
Net Revenues	9,403,988
Plus Other Available monies	1,459,480
Net Revenues and Other Available Monies	$ 10,863,467
Rate Covenant:	
Net Revenues and Other Available Monies	$ 10,863,467
Total Annual Debt Service	$ 4,662,874
Annual Debt Service Coverage	2.33
Debt Service Coverage Requirement	1.25

Refer to note 6 to the financial statements for additional details regarding financing activities during fiscal years 2019 and 2018.

Corona Virus (COVID-19) Pandemic

The novel coronavirus outbreak, which began in Wuhan China in December 2019, was declared a Global Health Emergency by the World Health Organization ("WHO") on January 30, 2020. WHO recommended containment and mitigation measures worldwide. On March 13, 2020, President Donald J. Trump declared a national emergency within the United States. In response to the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency on Guam in response to COVID-19.

The Governor issued a subsequent executive order, EO 2020-04, ordering the closure of all non-essential Government of Guam offices, prohibiting large gatherings, and restricting entry into Guam from countries with confirmed COVID-19 cases. The Port receives ninety percent (90%) of all goods coming into our island and is critical in ensuring the continuity of the supply chain throughout our region. For this reason, the Governor has deemed the Port an essential agency. PAG remains fully operational during the pandemic to ensure the supply of goods to the island is not disrupted.

As of March 31, 2020, the Port has not experienced a decrease in cargos that were beyond its projection for Fiscal Year 2020. Ever since the news on the corona outbreak, Guam residents have been buying larger number of essential items in the Guam stores. This practice of stocking up essential items have further increased upon the announcement of confirmed cases of COVID-19 in Guam. The total number of containers for the first 6 months of Fiscal Year 2020 is higher by 1% or 246 containers as compared to FY19's first 6 months from 42,723 containers in 2019 to 42,969 containers in 2020. The main reason for the increase is due to number of containers handled locally, which shows an increase of 979 containers or 3%. Although transshipment containers are showing a decrease, the impact to the Port's overall revenue is minimal since transshipment cargos account for 6% of the total revenue.

On March 27, 2020, President Trump approved Governor Lou Leon Guerrero's request for a major disaster declaration for Guam due to the COVID-19 pandemic. The presidentially declared disaster paved the way for the activation of FEMA's Public Assistance Program; specifically Category B – Emergency Protective Measures. This means that any and all COVID-19 related expenses that the Port Authority of Guam has incurred can be reimbursed provided that supporting documents are presented as part of its justification packet. Eligible expenses include OT incurred during the pandemic period, expenses incurred in the mitigation, preparation, response, and recovery to the event, and any and all other expenses deemed by FEMA to be eligible. The Port Authority of Guam (PAG) will aggressively seek full reimbursement for all its unforeseen expenses.

The Authority is incurring costs above the regular operational costs and extending free periods of certain cargoes to help agencies and private companies impacted by the pandemic. While this matter is expected to impact the Authority's business, results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The Port also created a separate General Ledger account to capture all COVID related expenses, i.e. PPEs, sanitizing agents, pay policies and overtime expenses. The Authority has every plan to secure reimbursement for all COVID related expenses and all these financial transactions shall be captured in the subsequent financial audit.

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.

Management's Discussion and Analysis for the year ended September 30, 2018 is set forth in the report on the audit of financial statements which is dated May 3, 2019. That Discussion and Analysis explains in more detail major factors impacting the 2018 financial statements. A copy of that report can be obtained via the contact below.

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, 2019 and 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2019	2018
Current assets:		
Cash and cash equivalents - unrestricted	$ 16,579,745	$ 17,962,443
Cash and cash equivalents - restricted expendable	47,993,786	40,972,210
Total cash and cash equivalents	64,573,531	58,934,653
Accounts receivable, net of allowance for doubtful accounts of $249,427 and $228,469 in 2019 and 2018, respectively	4,555,850	5,493,976
Federal receivables	224,281	38,422
Prepaid expenses	38,134	58,055
Total current assets	69,391,796	64,525,106
Replacement parts inventories, net of allowance for obsolescence of $85,273 in 2019 and $87,549 in 2018	568,917	633,143
Cash and cash equivalents - restricted expendable	48,944,964	47,991,705
Depreciable property, plant and equipment, net	109,889,143	112,138,207
Nondepreciable property, plant and equipment	6,979,361	6,466,205
Total assets	235,774,181	231,754,366
Deferred outflows of resources from pension	6,759,236	6,089,779
Deferred outflows of resources from other post-employment benefits	8,842,492	8,188,307
Total deferred outflows of resources	15,601,728	14,278,086
Total assets and deferred outflows of resources	$ 251,375,909	$ 246,032,452
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Current portion of long-term debt	$ 2,380,000	$ 1,320,000
Accounts payable, trade and others	1,665,824	2,959,550
Security deposits and other payables	3,871,427	1,065,406
Accrued payroll and withholdings	899,599	809,758
Current portion of accrued annual leave	1,378,855	1,267,947
Unearned revenue	201,153	276,547
Total current liabilities	10,396,858	7,699,208
Long-term debt, net of current portion	72,746,699	75,377,614
Net pension liability	55,215,897	54,652,898
Other post-employment benefits liability	67,314,364	84,786,658
Accrued annual leave, net of current portion	466,170	552,540
Accrued sick leave	1,086,660	993,731
Total liabilities	207,226,648	224,062,649
Deferred inflows of resources from pension	2,146,691	2,787,692
Deferred inflows of resources from other post-employment benefits	26,558,369	7,265,551
Total deferred inflows of resources	28,705,060	10,053,243
Commitments and contingencies		
Net position:		
Net investment in capital assets	90,686,770	89,898,503
Restricted - expendable	39,959,130	30,475,208
Unrestricted	(115,201,699)	(108,457,151)
Total net position	15,444,201	11,916,560
Total liabilities, deferred inflows of resources and net position	$ 251,375,909	$ 246,032,452

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, 2019 and 2018

	2019	2018
Operating revenues:		
Cargo throughput charges	$ 34,357,462	$ 33,495,537
Equipment and space rental	8,833,474	9,015,052
Crane surcharge	5,874,773	5,958,206
Wharfage charges	5,771,409	5,435,177
Special services	199,221	205,710
Other operating income	228,661	57,817
	55,265,000	54,167,499
(Provision for) recovery of bad debts	(29,105)	162,228
	55,235,895	54,329,727
Operating expenses:		
Management and administration	11,866,102	10,433,337
Depreciation	6,765,725	6,210,100
Equipment maintenance	6,076,225	6,087,422
Transportation services	5,152,765	4,922,793
Stevedoring services	3,792,370	3,629,230
Retiree healthcare and other benefits	2,960,476	6,765,055
Terminal services	2,893,583	2,538,736
General expenses	2,712,367	3,909,764
Insurance	2,648,350	2,533,517
Facility maintenance	1,961,928	1,944,788
Utilities	1,524,582	1,769,342
Total operating expenses	48,354,473	50,744,084
Earnings from operations	6,881,422	3,585,643
Nonoperating (expenses) revenues:		
U.S. Government operating grants	352,065	275,548
Other income (expense), net	(3,052,326)	(656,150)
Interest (expense) income, net	(1,310,971)	(3,239,947)
Loss on disposal of property, plant and equipment	(39,928)	(301,127)
Total nonoperating expenses, net	(4,051,160)	(3,921,676)
Earnings (loss) before capital contributions	2,830,262	(336,033)
Contributed capital:		
U.S. Government grants	697,379	233,332
Increase (decrease) in net position	3,527,641	(102,701)
Net position at beginning of year	11,916,560	12,019,261
Net position at end of year	$ 15,444,201	$ 11,916,560

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from customers	$ 56,098,627	$ 55,986,174
Cash payments to suppliers for goods and services	(12,761,989)	(13,625,317)
Cash payments to employees for services and benefits	(30,534,207)	(27,606,230)
Net cash provided by operating activities	12,802,431	14,754,627
Cash flows from investing activity - interest received	1,812,243	348,051
Cash flows from capital and related financing activities:		
Capital grants received	511,520	348,259
Proceeds from long-term debt	-	76,741,754
Repayment of long-term debt	(1,320,000)	(21,209,877)
Interest paid	(2,531,032)	(2,820,297)
Purchase of property, plant and equipment	(5,069,745)	(1,285,237)
Net cash (used in) provided by capital and related financing activities	(8,409,257)	51,774,602
Cash flows from non-capital related financing activities:		
Operating grants received	352,065	826,748
Other non-capital activities	34,655	(41,908)
Cash provided by non-capital related financing activities	386,720	784,840
Net increase in cash and cash equivalents	6,592,137	67,662,120
Cash and cash equivalents at beginning of year	106,926,358	39,264,238
Cash and cash equivalents at end of year	$ 113,518,495	$ 106,926,358

See accompanying notes to financial statements.

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

Statements of Cash Flows, Continued
Years Ended September 30, 2019 and 2018

	2019	2018
Reconciliation of earnings from operations to net cash provided by operating activities:		
Earnings from operations	$ 6,881,422	$ 3,585,643
Adjustments to reconcile earnings from operations to net cash provided by operating activities:		
Depreciation	6,765,725	6,210,100
Provision for (recovery of) bad debts	29,105	(162,228)
Pension recoveries	(747,459)	(248,619)
Other post-employment benefit costs	1,166,339	4,845,992
Changes in operating assets and liabilities:		
Accounts receivable, net	909,021	1,743,929
Prepaid expenses	19,921	(42,181)
Replacement parts inventories, net	64,226	(168,311)
Accounts payable, trade and others	(2,136,820)	(420,853)
Security deposits and other payables	(280,963)	61,666
Accrued payroll and withholdings	89,841	30,419
Accrued annual leave	24,538	143,735
Unearned revenue	(75,394)	74,745
Accrued sick leave	92,929	(899,410)
Net cash provided by operating activities	$ 12,802,431	$ 14,754,627

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, 2019 and 2018 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 separately classified in the statement of net position.

Accounts Receivable and Allowance for Doubtful Accounts

Substantially all of the Authority's accounts receivable as of September 30, 2019 and 2018 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, 2019 and 2018, receivables that are more than thirty days past due totaled $637,434 and $867,078, 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. 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. Vacation pay is convertible to pay upon termination of employment.

In accordance with Public Law No. 27-5 and Public Law No. 28-68, employee vacation 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 vacation 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, 2019, 2018 and 2017.

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.

New Accounting Standards

During the year ended September 30, 2019, the Authority implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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

New Accounting Standards, Continued

The implementation of these statements did not have a material effect on the Authority's financial statements. However, implementation of GASB Statement No. 88 resulted in additional required disclosures surrounding debt. See note 6.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(2) Cash and Cash Equivalents

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

(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 AAAm 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, 2019 and 2018, the carrying amount of the Authority's cash and cash equivalents totaled $113,518,495 and $106,926,358, respectively, and the corresponding bank balances were $113,729,082 and $105,898,226, respectively. Of the bank balance amount as of September 30, 2019 and 2018, $23,235,483 and $24,340,607 respectively, was maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2019 and 2018, bank deposits in the amount of $500,000 were FDIC insured for both years. Bank balances as of September 30, 2019 and 2018 also include $90,493,599 and $81,557,619, 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, 2019, monies in the amount of $6,164,008 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, 2019 and 2018, $16,360,887 and $24,868,739, respectively, of cash and cash equivalents are subject to custodial credit risk. 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:

	2019	2018
Current restricted:		
2018 Bond Indenture Funds		
Capitalized interest fund	$ 2,696,920	$ 5,159,266
Working capital reserve fund	3,067,940	3,009,413
Cost of issuance fund	-	19,565
Debt service fund	784,602	229,326
Revenue fund	4,802,822	4,532,488
Capital improvement fund	8,059,065	4,216,478
Operations and maintenance fund	5,065,692	-
Renewal and replacement reserve fund	1,180,882	508,667
Operations and maintenance reserve fund	10,552,976	10,552,976
Bond reserve fund	5,337,736	5,337,736
Accrued interest	127,445	-
	41,676,080	33,565,915
PUC Restricted Funds		
Crane replacement sinking fund	3,785,201	3,227,097
Facility maintenance fund	2,532,505	4,179,198
	6,317,706	7,406,295
Total restricted cash and cash equivalents - current	47,993,786	40,972,210
Noncurrent restricted:		
2018 Bond Indenture Fund - Construction fund	48,944,964	47,991,705
	$ 96,938,750	$ 88,963,915

(3) Property, Plant and Equipment

A summary of changes in property, plant and equipment for the years ended September 30, 2019 and 2018 is as follows:

	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

(3) Property, Plant and Equipment, Continued

	Beginning Balance October 1, 2017	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2018
Depreciable:				
Buildings	$ 141,166,778	$ 114,782	$ -	$ 141,281,560
Equipment	33,433,779	1,095,956	(530,623)	33,999,112
	174,600,557	1,210,738	(530,623)	175,280,672
Less accumulated depreciation	(57,161,861)	(6,210,100)	229,496	(63,142,465)
	117,438,696	(4,999,362)	(301,127)	112,138,207
Non-depreciable:				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	2,828,706	636,964	(562,465)	2,903,205
	6,391,706	636,964	(562,465)	6,466,205
Total	$ 123,830,402	$ (4,362,398)	$ (863,592)	$ 118,604,412

(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, 2018 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,273
Inactive employees entitled to but not yet receiving benefits	3,170
Active employees	5,188
	15,631
DCRS members:	
Active employees	5,921
	21,552

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, 2017 actuarial valuation was used for determining the year ended September 30, 2019 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2017, 2016 and 2015, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2019, 2018 and 2017, respectively, have been determined as follows:

(4) Pensions, Continued

A. General Information About the Pension Plans, Continued:

	2019	2018	2017
Normal costs (% of DB Plan payroll)	13.54%	15.97%	16.27%
Employee contributions (DB Plan employees)	9.52%	9.55%	9.55%
Employer portion of normal costs (% of DB Plan payroll)	4.02%	6.42%	6.72%
Employer portion of normal costs (% of total payroll)	2.29%	1.60%	1.87%
Unfunded liability cost (% of total payroll)	21.29%	22.12%	21.60%
Government contribution as a % of total payroll	23.58%	23.72%	23.47%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	26.56%	27.83%	27.41%
Employee	9.52%	9.55%	9.55%

The Authority's contributions to the DB Plan for the years ended September 30, 2019, 2018 and 2017 were $3,172,830, $2,666,133, and $1,327,533, 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, 2019, 2018 and 2017 were $1,076,038, $1,082,514 and $1,061,915, 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, 2019 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, 2019, 2018 and 2017 were $2,019,302, $2,358,320 and $3,548,584, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $1,547,929, $1,874,487 and $2,882,959 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2019, 2018 and 2017, 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, 2019 and 2018, the Authority reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2018 and 2017, respectively, which is comprised of the following:

	2019	2018
Defined Benefit Plan	$ 41,041,830	$ 39,782,133
Ad Hoc COLA/supplemental annuity Plan for DB retirees	11,646,387	11,683,996
Ad Hoc COLA Plan for DCRS retirees	2,527,680	3,186,769
	$ 55,215,897	$ 54,652,898

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, 2019 and 2018, the Authority's proportionate shares of the GovGuam net pension liabilities were as follows:

	2019	2018
Defined Benefit Plan	3.48%	3.48%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	4.02%	4.05%
Ad Hoc COLA Plan for DCRS retirees	5.12%	5.10%

Pension Expense: For the years ended September 30, 2019 and 2018, the Authority recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

	2019	2018
Defined Benefit Plan	$ 4,693,096	$ 2,389,588
Ad Hoc COLA/supplemental annuity Plan for DB retirees	1,185,428	2,894,350
Ad Hoc COLA Plan for DCRS retirees	(691,349)	226,407
	$ 5,187,175	$ 5,510,345

(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, 2019 and 2018, the Authority reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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

	2018					
	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	$ -	$ -	$ -	$ -	$ 144,792	$ 24,755
Net difference between projected and actual earnings on pension plan investments	-	1,933,360	-	-	-	-
Changes of assumptions	-	-	-	-	321,853	211,942
Contributions subsequent to the measurement date	4,540,620	-	988,514	-	94,000	-
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	-	-	-	-	-	617,635
	$ 4,540,620	$ 1,933,360	$ 988,514	$ -	$ 560,645	$ 854,332

(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
2020	$ 122,357	$ (136,555)	$ (22,585)
2021	(589,042)	(136,555)	(22,585)
2022	(362,857)	(13,657)	(22,585)
2023	191,486	-	(22,585)
2024	-	-	(22,585)
Thereafter	-	-	(146,504)
	$ (638,056)	$ (286,767)	$ (259,429)

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, 2017
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	May 1, 2033 (15.58 years remaining as of September 30, 2017)
Asset valuation method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.75% 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 75.

(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, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015.

The investment rate assumption as of September 30, 2017 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)	29.0%	7.47%
U.S. Equities (small cap)	7.0%	8.73%
Non-U.S. Equities	16.5%	9.27%
Non-U.S. Equities (emerging markets)	2.0%	11.09%
U.S. Fixed Income (aggregate)	21.5%	4.67%
Risk parity	8.0%	6.50%
High yield bonds	8.0%	6.59%
Global Real Estate (REITs)	5.0%	8.60%
Master Limited Partnerships	3.0%	6.56%

Changes in Actuarial Assumptions: The following changes in actuarial assumptions occurred from the September 30, 2016 valuation to the September 30, 2017 valuation:

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, 2018 and 2017 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, 2018 was 4.18% (3.64% as of September 30, 2017), 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	$ 52,332,808	$ 41,041,830	$ 31,349,828

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate 3.18%	Current Discount Rate 4.18%	1% Increase in Discount Rate 5.18%
Net Pension Liability	$ 12,740,732	$ 11,646,387	$ 10,700,549

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate 3.18%	Current Discount Rate 4.18%	1% Increase in Discount Rate 5.18%
Net Pension Liability	$ 2,843,580	$ 2,527,680	$ 2,257,864

(4) Pensions, Continued

C. Payables to the Pension Plans:

As of September 30, 2019 and 2018, the Authority recorded payables to GGRF of $282,822 and $275,454, 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, 2018 and 2017 (the respective measurement periods), OPEB plan membership consisted of the following as of September 30, 2018 and 2016 (the respective actuarial valuation dates):

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	7,930	7,342
Active plan members	10,136	10,282
Total members	18,066	17,624

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, 2019, 2018 and 2017, the Authority reimbursed GovGuam $1,681,439, $1,862,828 and $1,915,431, 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, 2019 and 2018, the Authority reported a total OPEB liability of $67,314,364 and $84,786,658, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2018 and 2017. The following presents the Authority's change in proportionate share since the prior measurement date:

Proportion at prior measurement date, September 30, 2017	3.49%
Proportion at measurement date, September 30, 2018	3.59%
Increase in proportion	0.10%

Actuarial Assumptions: The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2018 (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 5-10 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 4.18% as of September 30, 2018 (3.63% as of September 30, 2017). The projection of cash flows used to determine the discount rate assumed that contributions from the Authority will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 4.18% municipal bond rate as of September 30, 2018 (3.63% as of September 30, 2017) 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, 2019 and 2018 are as follows:

	2019	2018
At October 1	$ 84,786,658	$ 88,837,187
Changes for the year:		
Service cost	2,980,600	3,385,608
Interest	3,156,104	2,797,108
Change in proportionate share	3,313,976	(10,865)
Difference between expected and actual experience	(18,753,465)	-
Change of assumptions	(6,524,999)	(8,713,844)
Benefit payments	(1,644,510)	(1,508,536)
Net change	(17,472,294)	(4,050,529)
At September 30	$ 67,314,364	$ 84,786,658

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 3.18%	Current Discount Rate 4.18%	1% Increase in Discount Rate 5.18%
OPEB Liability	$ 79,385,218	$ 67,314,364	$ 57,618,052

(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 2018 OPEB liability.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
OPEB Liability	$ 56,133,217	$ 67,314,364	$ 81,787,820

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

For the years ended September 30, 2019 and 2018, the Authority recognized OPEB expense of $2,847,778 and $6,708,820, respectively. At September 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 4,875,313	$ 11,171,774	$ 6,304,377	$ 7,265,551
Difference between expected and actual experience	-	15,386,595	-	-
Contributions subsequent to the measurement date	1,681,439	-	1,862,828	-
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	2,285,740	-	21,102	-
	$ 8,842,492	$ 26,558,369	$ 8,188,307	$ 7,265,551

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	
2020	$ (3,876,415)
2021	(3,876,415)
2022	(3,876,415)
2023	(5,455,807)
2024	(2,312,264)
	$ (19,397,316)

(6) Long-Term Liabilities

A. Long-Term Debt

Long-term bank debt consists of the following:

	2019	2018
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	23,145,000
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.	18,320,000	18,320,000
Total long-term debt	70,125,000	71,445,000
Less current portion	(2,380,000)	(1,320,000)
	67,745,000	70,125,000
Add premium on bonds	5,001,699	5,252,614
	$ 72,746,699	$ 75,377,614

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 bonds principal and interest. For the year ended September 30, 2019, the debt service for the series bonds was $5,751,392 or approximately 12% of pledged gross revenues.

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

(6) Long-Term Liabilities, Continued

A. Long-Term Debt, Continued

As of September 30, 2019, future maturities of long-term debt are as follows:

Year Ending September 30,	Principal	Interest	Total Debt Service
2020	$ 2,380,000	$ 3,371,392	$ 5,751,392
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 through 2029	13,985,000	12,615,332	26,600,332
2030 through 2034	7,820,000	10,063,750	17,883,750
2035 through 2039	9,985,000	7,902,500	17,887,500
2040 through 2044	12,740,000	5,144,750	17,884,750
2044 through 2048	12,685,000	1,624,000	14,309,000
	$ 70,125,000	$ 53,184,957	$ 123,309,957

Changes in long-term bank debt for the years ended September 30, 2019 and 2018 are as follows:

	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

	Outstanding at September 30, 2017	Increases	Decreases	Outstanding at September 30, 2018	Current	Noncurrent
Long-term bank debt	$ 21,209,877	$ -	$ 21,209,877	$ -	$ -	$ -
2018 Series A bonds	-	29,980,000	-	29,980,000	-	29,980,000
2018 Series B bonds	-	23,145,000	-	23,145,000	1,320,000	21,825,000
2018 Series C bonds	-	18,320,000	-	18,320,000	-	18,320,000
Unamortized premium on 2018 Series bonds	-	5,296,754	44,140	5,252,614	-	5,252,614
	$ 21,209,877	$ 76,741,754	$ 21,254,017	$ 76,697,614	$ 1,320,000	$ 75,377,614

(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, 2019 and 2018. 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, 2019 and 2018, 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 2019 and 2018 were as follows:

	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

	Outstanding at September 30, 2017	Increases	Decreases	Outstanding at September 30, 2018	Current	Noncurrent
Accrued annual leave	$ 1,676,752	$ 1,446,281	$ 1,302,546	$ 1,820,487	$ 1,267,947	$ 552,540
Accrued sick leave	1,893,141	168,301	1,067,711	993,731	-	993,731
Net pension liability	56,767,410	3,157,895	5,272,407	54,652,898	-	54,652,898
OPEB liability	88,837,187	6,182,716	10,233,245	84,786,658	-	84,786,658
	$ 149,174,490	$ 10,955,193	$ 17,875,909	$ 142,253,774	$ 1,267,947	$ 140,985,827

(7) Major Customers

For the years ended September 30, 2019 and 2018, the Authority has two major shipping agency customers that collectively accounted for 65.63% and 63.96% 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
2020	$ 921,338
2021	314,544
2022	238,164
2023	238,164
2024	238,164
Thereafter	1,230,514
	$ 3,180,888

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 $8,833,474 and $9,015,052 for the years ended September 30, 2019 and 2018, 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, 2019 and 2018 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, 2019 and 2018.

Lawsuit and Claims

The Authority is a defendant in various lawsuits and proceedings arising in the normal course of business. At September 30, 2019, the Authority accrued approximately $3.4 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, 2019, the Authority has various on-going construction contracts with a total contract price of $4.1 million, of which $3.4 million has been recorded as construction work-in-progress.

Purchase Commitments

As of September 30, 2019, the Authority has outstanding purchase orders for various equipment purchases totaling $2.8 million.

(10) Restricted Net Position

At September 30, 2019 and 2018, net position is restricted for the following purposes:

	2019	2018
Debt service	$ 33,641,424	$ 23,068,913
Future crane acquisition or extraordinary crane maintenance	3,785,201	3,227,097
Maintenance, replacements, and repair of facilities	2,532,505	4,179,198
	$ 39,959,130	$ 30,475,208

(11) Subsequent Events

COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, President Donald J. Trump declared a national emergency within the United States. In response to the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to COVID-19. Further, Executive Order 2020-04 ordered the closure of all non-essential Government of Guam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and businesses have closed. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The Authority is classified as an essential agency and remain fully operational during the pandemic as it is part of the supply chain, ensuring continued supply of goods to the island. However, the Authority is incurring costs above the regular operational costs and extending free periods of certain cargoes to help agencies and private companies impacted by the pandemic. While this matter is expected to impact the Authority's business, results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The Authority also created a separate general ledger account to capture all COVID-19 related expenses and has every plan to secure reimbursement if possible. All these financial transactions shall be captured in the subsequent financial audit.

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

	2019	2018	2017	2016	2015	2014
Total Government of Guam net pension liability	$ 1,179,192,550	$ 1,142,249,393	$ 1,368,645,126	$ 1,436,814,230	$ 1,246,306,754	$ 1,303,304,636
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	$ 41,041,830	$ 39,782,133	$ 43,796,523	$ 44,375,587	$ 37,618,961	$ 44,444,980
PAG's proportion of the net pension liability	3.48%	3.48%	3.20%	3.09%	3.02%	3.41%
PAG's covered-employee payroll**	$ 17,885,121	$ 17,703,032	$ 16,202,268	$ 15,793,402	$ 15,241,377	$ 15,698,669
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	229.47%	224.72%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

* 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
(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*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2019	2018	2017	2016
Total Government of Guam net pension liability***	$ 289,875,668	$ 288,147,121	$ 229,486,687	$ 235,799,709
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	$ 11,646,387	$ 11,683,996	$ 9,759,549	$ 10,037,574
PAG's proportion of the net pension liability	4.02%	4.05%	4.25%	4.26%
PAG's covered-employee payroll**	$ 20,645,687	$ 20,610,932	$ 21,532,740	$ 21,767,959
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	56.41%	56.69%	45.32%	46.11%

* 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
(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*

Ad Hoc COLA Plan for DCRS Retirees

	2019	2018	2017	2016
Total Government of Guam net pension liability***	$ 49,342,424	$ 62,445,490	$ 61,688,067	$ 52,115,736
Port Authority of Guam's (PAG's) proportionate share of the net pension liability	$ 2,527,680	$ 3,186,769	$ 3,211,338	$ 3,044,143
PAG's proportion of the net pension liability	5.12%	5.10%	5.21%	5.84%
PAG's covered-employee payroll**	$ 13,548,374	$ 19,228,448	$ 19,004,676	$ 20,788,290
PAG's proportionate share of the net pension liability as percentage of its covered employee payroll	18.66%	16.57%	16.90%	14.64%

* 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
(A Component Unit of the Government of Guam)

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

	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 4,540,620	$ 4,210,492	$ 4,017,046	$ 4,172,659	$ 4,062,777	$ 4,214,569
Contributions in relation to the statutorily required contribution	4,728,288	4,363,054	3,981,412	4,154,190	4,047,929	4,158,400
Contribution (excess) deficiency	$ (187,668)	$ (152,562)	$ 35,634	$ 18,469	$ 14,848	$ 56,169
PAG's covered-employee payroll **	$ 17,885,121	$ 17,703,032	$ 16,202,268	$ 15,793,402	$ 15,241,377	$ 15,698,669
Contribution as a percentage of covered-employee payroll	26.44%	24.65%	24.57%	26.30%	26.56%	26.49%

* 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
(A Component Unit of the Government of Guam)

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

	2019	2018	2017	2016
Service cost	$ 2,980,600	$ 3,385,608	$ 2,692,805	
Interest	3,156,104	2,797,108	2,865,259	
Changes in proportionate share	3,313,976	(10,865)	9,495,484	
Difference between expected and actual experience	(18,753,465)	-	-	
Change of assumptions	(6,524,999)	(8,713,844)	-	
Benefit payments	(1,644,510)	(1,508,536)	(1,508,536)	
Net change in OPEB liability	(17,472,294)	(4,050,529)	13,545,012	
OPEB liability, beginning	84,786,658	88,837,187	75,292,175	
OPEB liability, ending	$ 67,314,364	$ 84,786,658	$ 88,837,187	$ 75,292,175
Covered-employee payroll as of valuation date	$ 17,724,837	$ 17,004,433	$ 17,004,433	
OPEB liability as a percentage of covered-employee payroll	379.77%	498.62%	522.44%	
Notes to schedule:				
Discount rate	4.180%	3.630%	3.630%	3.710%

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
(A Component Unit of the Government of Guam)

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

	2019	2018	2017
Total OPEB liability **	$ 1,874,970,335	$ 2,431,048,672	$ 2,532,753,040
PAG's proportionate share of the total OPEB liability	$ 67,314,364	$ 84,786,658	$ 88,837,187
PAG's proportion of the total OPEB liability	3.59%	3.49%	3.51%
PAG's covered-employee payroll	$ 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	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.

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

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

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

Notes to schedule:

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2018.

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 2029 and later years.
Salary increase:	4.5% 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
(A Component Unit of the Government of Guam)

Details of Operating Expenses
Years Ended September 30, 2019 and 2018

	2019	2018
Management and Administration:		
Management:		
Salaries and wages - regular	$ 615,409	$ 493,875
Pension cost	170,289	383,896
Annual leave	51,969	52,217
Benefits - Government contribution	27,301	21,707
Fringe benefits	17,200	14,377
Office supplies	1,981	1,149
Furnishings and equipment	52	1,520
Salaries and wages - overtime	-	106
Miscellaneous	50,816	28,688
Total management	935,017	997,535
Administration:		
Salaries and wages - regular	6,572,804	5,513,219
Pension cost	1,833,978	1,821,987
Annual leave	532,057	511,979
Salaries and wages - overtime	477,916	372,918
Fringe benefits	379,406	341,846
Benefits - Government contribution	298,714	290,030
Repairs and maintenance	188,203	174,210
Salaries and wages - other	92,087	82,817
Furnishings and equipment	90,420	27,246
Operational supplies	73,860	38,336
Office supplies	31,675	32,932
Miscellaneous	359,965	228,282
Total administration	10,931,085	9,435,802
Total management and administration	$ 11,866,102	$ 10,433,337

See Accompanying Independent Auditors' Report.

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

Details of Operating Expenses, Continued
Years Ended September 30, 2019 and 2018

	2019	2018
Equipment Maintenance:		
Salaries and wages - regular	$ 2,895,742	$ 2,603,043
Pension cost	831,643	894,271
Repairs and maintenance	768,921	772,064
Operational supplies	356,170	644,022
Salaries and wages - overtime	307,477	250,632
Annual leave	232,499	236,165
Fringe benefits	210,179	201,760
Salaries and wages - other	173,318	178,630
Contractual	146,758	142,410
Benefits - Government contribution	129,497	136,273
Furnishings and equipment	21,859	26,513
Office supplies	2,162	1,639
Total equipment maintenance	$ 6,076,225	$ 6,087,422
Transportation Services:		
Salaries and wages - regular	$ 2,801,785	$ 2,445,631
Pension cost	790,602	871,047
Salaries and wages - overtime	546,850	570,966
Gas, oil and diesel	274,155	315,858
Fringe benefits	215,979	190,663
Annual leave	211,574	216,658
Salaries and wages - other	166,892	161,674
Benefits - Government contribution	137,920	139,961
Furnishings and equipment	4,127	1,005
Office supplies	1,978	7,365
Operational supplies	903	1,965
Total transportation services	$ 5,152,765	$ 4,922,793

See Accompanying Independent Auditors' Report.

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

Details of Operating Expenses, Continued
Years Ended September 30, 2019 and 2018

	2019	2018
Stevedoring Services:		
Salaries and wages - regular	$ 2,230,833	$ 2,066,063
Pension cost	617,537	705,656
Salaries and wages - overtime	344,079	224,221
Annual leave	171,985	178,379
Fringe benefits	167,269	162,786
Salaries and wages - other	145,387	149,975
Benefits - Government contribution	111,263	120,308
Operational supplies	2,770	20,448
Office supplies	1,247	1,394
Total stevedoring services	$ 3,792,370	$ 3,629,230
Facility Maintenance:		
Salaries and wages - regular	$ 1,096,031	$ 1,036,462
Pension cost	308,237	340,388
Operational supplies	163,187	172,646
Salaries and wages - overtime	97,169	72,212
Fringe benefits	96,329	114,099
Annual leave	81,964	86,508
Benefits - Government contribution	53,518	58,498
Furnishings and equipment	34,748	14,277
Salaries and wages - other	14,675	14,499
Repairs and maintenance	2,797	19,900
Office supplies	71	354
Miscellaneous	13,202	14,945
Total facility maintenance	$ 1,961,928	$ 1,944,788

See Accompanying Independent Auditors' Report.

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

Details of Operating Expenses, Continued
Years Ended September 30, 2019 and 2018

		2019		2018
Terminal Services:				
Salaries and wages - regular	$	1,770,716	$	1,433,556
Pension cost		497,059		493,100
Salaries and wages - overtime		228,810		237,805
Annual leave		129,751		122,132
Fringe benefits		118,812		106,983
Benefits - Government contribution		82,618		79,707
Salaries and wages - other		55,218		50,155
Operational supplies		5,313		9,398
Office supplies		4,938		5,119
Furnishings and equipment		348		781
Total terminal services	$	2,893,583	$	2,538,736
General Expenses:				
Managers' fee	$	750,919	$	889,905
Legal counsel		564,802		928,587
Professional services		474,788		979,570
Maintenance		243,591		543,411
Waste removal		107,576		124,789
Audit		50,000		30,000
Claims and damages		48,419		500
Port incentive award		48,163		57,253
Board of Directors expense		9,169		4,941
Workmen's compensation injury allowance		8,646		34,269
Agency fee		5,849		6,854
Inventory adjustment		1,786		17,039
Miscellaneous		398,659		292,646
Total general expenses	$	2,712,367	$	3,909,764

See Accompanying Independent Auditors' Report.

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

Summary of Salaries and Wages
Years Ended September 30, 2019 and 2018

	2019	2018
Salaries and wages - regular	$ 17,983,320	$ 15,591,848
Salaries and wages - overtime	2,002,301	1,728,862
Benefits - Government contribution	840,831	846,483
Fringe benefits	1,205,174	1,132,514
Salaries and wages - other	647,577	637,750
	$ 22,679,203	$ 19,937,457

See Accompanying Independent Auditors' Report.

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

Employees by Department
Years Ended September 30, 2019 and 2018

	2019	2018
Department:		
Management and administration	123	116
Equipment maintenance	55	55
Transportation services	62	62
Stevedoring services	49	54
Facility maintenance	28	27
Terminal services	39	37
	356	351

See Accompanying Independent Auditors' Report.