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

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Port Authority of Guam:

Report on Financial Statements

We have audited the accompanying financial statements of 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, 2014 and 2013, 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.

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, 2014 and 2013, 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.

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 3 through 14 as well as the Schedule of Funding Progress on page 35 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 audits 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 operating expenses and summary of salaries and wages are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of operating expenses and 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 operating expenses and summary of salaries and wages are fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedule of employees by department 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 February 20, 2015 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 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 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

February 20, 2015

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, 2014 and 2013. The information contained in this MD&A has been prepared by management and 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 by Public Law 13-87 in October 1975. The Port operates the only commercial seaport in the Territory and, as the primary seaport in Micronesia, it operates the largest U.S. deepwater port in the region and currently handles about 1.9 million tons of cargo a year. The Port owns 5 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 Manager who are responsible for 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 of its profits to the upgrading or equipment and facilities and the continued growth of the Island's seaport.

FINANCIAL HIGHLIGHTS

- The net position of the Authority as of September 30, 2014 was $74.7 million. Of this amount, $57.6 million is net investment in capital assets, $966 thousand is considered restricted and $16.1 million is considered unrestricted.
- The Port's net position increased by $3.3 million for the fiscal year ended September 30, 2014.
- The Port's total assets decreased by $323 thousand during the fiscal year ended September 30, 2014. The major component of this change was a decrease in non-depreciable property, plant and equipment.
- The total liabilities decreased by $3.7 million during fiscal year ended September 30, 2014. The major component of this change was due to decrease in current liabilities of $2.9 million.
- Since fiscal year 2003, the Port's finances have consistently shown an increase in net position for 12 straight years.
- The Port obtained a $10 million loan facility from Bank of Guam in April 2014 for the funding of the service life extension (SLE) repairs to the wharfs, acquisition of multiple top lifters and upgrade of its financial management systems. The loan is undrawn as of September 30, 2014.

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 and liabilities, with the difference between the two 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.

Financial Analysis

The largest portion of the Authority's net position (77%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets, and excluding any outstanding debt proceeds. The Authority uses these assets to provide services to its customers; consequently these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Authority's net position represents resources that are unrestricted net position which may be used to meet the Authority's ongoing obligations to employees and creditors.

A summarized comparison of the Port's assets, liabilities, and net position at September 30 is as follows:

Condensed Statements of Net Position
(In thousands)

ASSETS	2014	2013	2012
Current and other assets	$ 23,299	$ 20,593	$ 16,350
Capital assets	71,562	74,591	65,456
Total assets	$ 94,861	$ 95,184	$ 81,806
LIABILITIES AND NET POSITION			
Current liabilities	$ 5,462	$ 8,394	$ 5,982
Other non-current liabilities	14,745	15,464	4,591
Total liabilities	20,207	23,858	10,573

Net position:			
Net investment in capital assets	57,614	59,933	62,255
Restricted – expendable	966	446	-
Unrestricted	16,074	10,947	8,978
Total net position	74,654	71,326	71,233
Total liabilities and net position	$ 94,861	$ 95,184	$ 81,806

The Authority's total assets decreased by $323 thousand during the fiscal year ended September 30, 2014, from $95.2 million in FY 2013 to $94.9 million in FY 2014.

Although the Port's current and other assets increased by $2.7 million or 13%, capital assets decreased by $3 million or 4% which resulted in an overall decrease in total assets. Total liabilities decreased by $3.7 million or 15% from $23.9 million in FY 2013 to $20.2 million in FY 2014. This was primarily due to the decrease in Port's current liabilities for accounts payable trade by $3 million or 55%. The net position increased by $3.3 million during the fiscal year ended September 30, 2014. Net position invested in capital assets net of related debt decreased by $2.3 million, restricted increased by $520 thousand and unrestricted net position increased by $5.1 million.

Key elements of this increase are identified in the following schedule of changes in net position and related explanations.

Port Authority of Guam
Changes in Net Position
(*In thousands)*

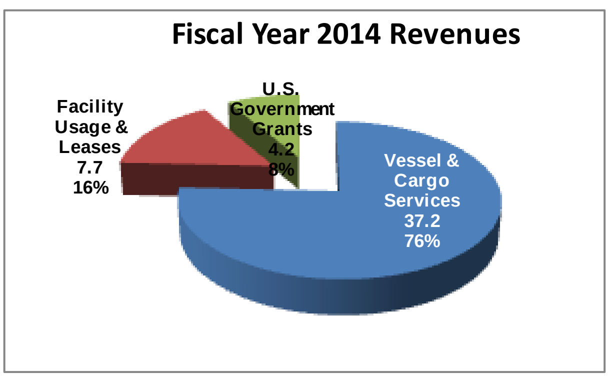
	2014	2013	2012
Operating revenues:			
Cargo throughput charges	$ 32,078	$ 29,724	$ 23,785
Wharfage charges	4,493	4,185	4,089
Equipment and space rental	7,709	7,503	6,893
Special services	298	313	359
Other operating revenue	374	185	121
Total operating revenue	44,952	41,910	35,247
Operating expenses:			
Operations	10,124	10,335	9,205
Equipment maintenance	5,593	7,651	5,266
Facility maintenance	1,581	1,496	1,500
Management and administration	8,395	8,832	8,762
General expenses	7,529	7,453	6,445
Total operating expenses before depreciation	33,222	35,767	31,178

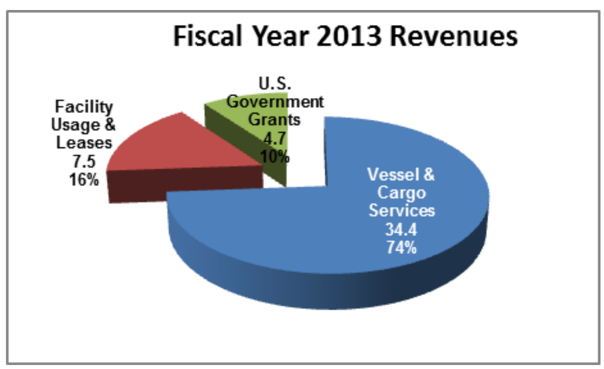
Operating income before depreciation	11,730	6,143	4,069
Depreciation	4,837	4,893	3,720
Operating income	6,893	1,250	349
Nonoperating expenses, net	7,730	5,942	2,000
Loss before capital contributions	(837)	(4,692)	(1,651)
Capital contributions-US Government Grants	4,165	4,785	3,703
Increase in net position	3,328	93	2,052
Net position at beginning of the year	71,326	71,233	69,181
Net position at end of year	$ 74,654	$ 71,326	$ 71,233

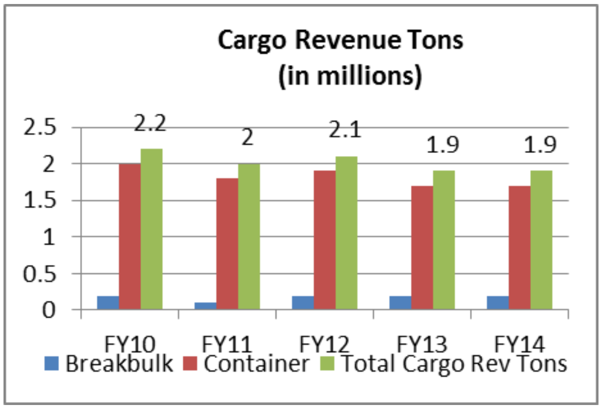
Revenues

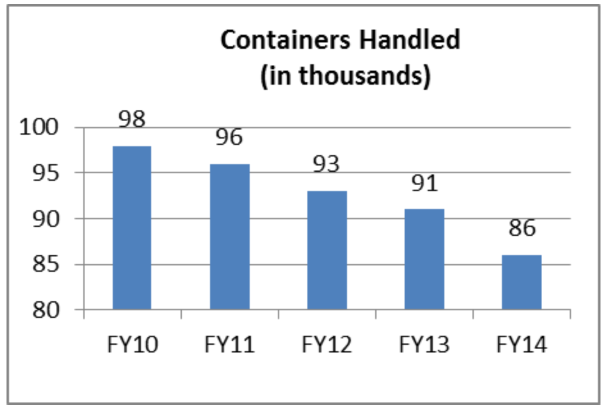
- PAG Docket 13-01, Interim Rate Petition was approved by the PUC on January 30, 2014 and rates were implemented on March 2, 2014. The petition implemented a 5.65% increase to PAG's Terminal Tariff rates with the exception of the Bunkering/Fuel throughput/Waste Oil rates and the Crane Surcharge.
- Vessel and cargo services revenues in FY 2014 increased by $2.8 million. The increase was primarily due to the Interim Rate increase.
- Facility usage and leases increased by 3% or $206 thousand, from $7.5 million in FY 2013 to $7.7 million in FY 2014.
- Federal contributions in FY 2014 decreased by $620 thousand, from $4.8 million in FY 2013 to $4.2 million in FY 2014.

Vessel and cargo services in FY 2013 increased by $6 million compared to FY 2012 primarily due to the new crane surcharge fee. PAG Docket 12-02, Crane Surcharge was approved by the PUC on December 11, 2012 and rate was implemented on January 1, 2013.





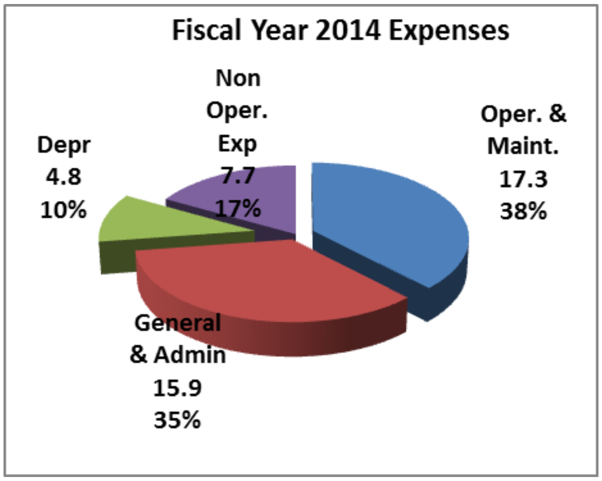


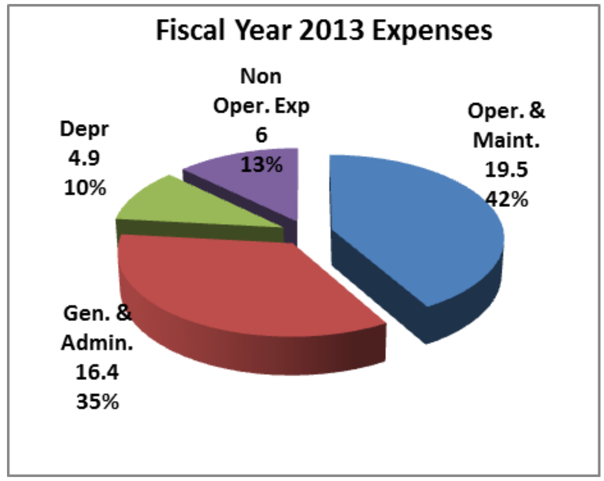


Expenses

In Fiscal Year 2014, the total operating expenses was $38 million and non-operating expenses was $7.7 million. Operating expense decreased by $2.8 million and non-operating expenses increased $1.8 million compared to fiscal year 2013. Operating expenses of Equipment Maintenance decreased by $2 million or 27% due to decreases in Repairs and Maintenance of Gantry 3 as a result of management assessing the need for this equipment versus the cost to maintain this gantry and Management and Administration decreased by $436 thousand or 5%. Non-operating expenses increased $1.8 million due to loss on asset disposal. The major assets surveyed this year were three (3) sidelifters, hazmat container yard fencing and lighting, and the mobile harbor crane.

In Fiscal Year 2013, the total operating expenses were $40.8 million and non-operating expenses were $6 million. Operating expense increased by $5.9 million and non-operating expenses increased by $3.9 million compared to fiscal year 2012. Operation and maintenance salaries and benefits increased due to overtime increase of $661 thousand or 100% due to implementation of new scheduling, repairs and maintenance increase of $1.9 million as a result of the Port acquiring the maintenance/repairs of the 3 Used Gantries purchased, and the payout of increments as a result of the Government lifting the increment freeze. General and administrative expenses increased by $1 million due to $200 thousand of Merit Bonus paid out as a result of Public Law 21-59, increases in legal fees, and loan fees. Depreciation expense increased by $1.2 million or 32% due to the reclassification of completed construction in progress project on GDP Dock A, B, & C Repair/Replacement and F1 Catwalk Replacement and purchase of new assets in FY 2013 to include the acquisition of 3 Gantry Cranes. Non-operating expenses increased by $3.9 million due to reclassification of construction in progress projects for master plan that will not be done due to the re-set of the GCPIP, loss on survey of Gantry 2 and interest expense for $12 million loan.





Port Modernization Plan

Overview

The Port Modernization Program, as authorized by the Guam Legislature, spans a 30-year planning horizon and is valued at a little more than $260 million. Phase I-A and Phase I-B of the program focuses on near term critical maintenance and repair of waterfront activities and improvements needed to handle near-term cargo of the military buildup, and projected organic population increases. Phase II of the program was to occur 20 years into the future and focuses on the expansion needed to address the cargo demands of the long-term growth of Guam and its neighboring islands.

The Authority completed Phase I-A of its Port Modernization Program. Phase I-A includes reconfiguration and expansion of the break-bulk laydown area, renovation of the CFS Building, creation of a new gate complex, and upgrade of utilities and security features. Phase I-A is to be funded by a $50 million appropriation from the Department of Defense.

$50 million appropriation from the Department of Defense

In June 2008, the Authority partnered with the Maritime Administration (MARAD), through a Memorandum of Understanding (MOU), for the "Port of Guam Improvement Enterprise Program" (the Program). MARAD was designated as the lead federal agency assisting the Port in securing funding sources to modernize its facilities and operations. Under the Program, MARAD's role is to provide federal oversight and coordination of projects under the program, act as a central procurement organization, leverage federal, non-federal and private funding sources, and streamline the environmental review and permitting process. This 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) which is 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.

In July 2010, the United States House of Representatives passed the 2010 Supplemental Appropriations Act which provided $50 million for the Port Modernization Program. This bill was signed by President Barrack Obama in August 2010. The appropriation of $50 million was transferred from the Department of Defense to the Fund on September 22, 2010. As set out in the MOU, the fund will be administered and disbursed by MARAD, with the approval/authorization of the Authority.

$54.5 million funding from the USDA

On October 22, 2010, the USDA awarded a $54.5 million loan appropriation to the Authority to complete the funding of Phase I-A of the Port Modernization Program. This loan consists of the following:

- $25 million USDA Community Facilities Direct Loan
- $25 million USDA Community Facilities Guaranteed Loan with ANZ Guam, Inc. (ANZ)
- $4.5 million USDA Guaranteed Term Loan with ANZ

On the same date, the Authority received the proceeds of the USDA Guaranteed Term Loan with ANZ of $3,500,000.

USDA Rural Development Community Facility Loans

Presented below are the USDA Rural Development Community Facility (CF) Loan Commitments as of September 30, 2014, which are intended for the Authority's specific projects (i.e., purchase of a Gantry Crane, Port Modernization Plan and purchase of top lifters and other cargo handling equipment (TLOCHE):

	USDA Loan Commitments:		*Intended for the following Projects:*		
	Direct*	Guaranteed*	Gantry Cranes	Modernization	TLOCHE
CF Loan 1	$ 2,000,000	$ -	$ -	$ -	$ 2,000,000
CF Loan 2	-	5,000,000	5,000,000	-	-
CF Loan 3	-	7,000,000	7,000,000	-	-
CF Loan 4	-	4,500,000	-	-	4,500,000
CF Loan 5	-	-	-	-	-
CF Loan 6	-	-	-	-	-
	$ 2,000,000	$ 16,500,000	$ 12,000,000	$ -	$ 6,500,000

*Proceeds of the CF Direct Loans will come from USDA, while the rest are from ANZ which is "Guaranteed" by the USDA.

CF Loan 4 (Guaranteed) of $4,500,000 intended for the purchase of cargo handling equipment, for more information please refer to Notes to Financial Statements, Long-term Bank Debt.

On November 30, 2011, USDA communicated with the Authority that the $25 million CF Loan 5 (Direct) is to be used within a reasonable amount of time after obligation. Given the current budget situation in the U.S. Congress, all loans that have been "obligated" but not yet closed and/or disbursed are facing increased scrutiny. USDA encouraged the Authority to finalize their plans to use the proceeds from CF Loan 5 (Direct) by December 31, 2011. The Authority requested the USDA to extend the CF Loan 5 (Direct). On March 5, 2014, the Port informed USDA that we will not proceed with the Direct Loan.

CF Loans 1 (Direct), 2 (Guaranteed) and 3 (Guaranteed) totaling $14 million is intended for the procurement of gantry cranes pursuant to Public Law 30-100 which mandates the Authority to acquire at least two gantry cranes no later than December 31, 2012. On November 2011, Public Law 31-145 was enacted that authorized the Authority to enter into negotiations with Matson and Horizon for the specific purpose of acquiring one or more of the Port of Los Angeles (POLA) gantry cranes through purchase or lease-to-own.

On June 5, 2012, the Port Board of Directors approved and ratified the purchase of the 3-POLA cranes and Gantry 3 for $12 Million Dollars. On August 27, 2012, Public Utilities Commission (PUC) approved the Sales Agreement and Interim Maintenance Agreement related to the purchase of the POLA Cranes. Subsequently, PUC in their meeting of September 25, 2012, authorized the Authority to proceed with finalizing the loan documents with the financial institution. In compliance with the statute, on December 2012, the closing of the $12M loan and official signing of the Sales Agreement for the purchase of the POLA Cranes was completed. On March 5, 2014 the Authority requested USDA to reprogram the CF Loan 1 (Direct) for $2M that is intended for the procurement of gantry cranes for the acquisition of cargo handling equipment. As of September 2014, the Port is working on finalizing the loan.

The Military Buildup Program experienced a call for a re-set. The Port's response to the DOD re-set includes the formulation of a Balanced Modernization Program to include Wharf Service Life Extension and a reduction to Phase 1A to remain within the available Port Enterprise Program funds.

Furthermore, in response to the re-set, the Port's Owner Agent Engineer, PBI, prepared the Port Authority of Guam 2013 Master Plan Update, which provides a comprehensive view of the Port's current condition, identifies elements of continuous improvement and sustainability. An Implementation Plan was developed in conjunction with the 2013 Master Plan Update that evaluated Port improvement and sustainability requirements, and determined a balanced approach for meeting these requirements.

The Port's 2013 Master Plan Update also contains a Financial Analysis and Economic Impact Assessment that provides a five-year near- term emphasis on improvements to both Port efficiency and the creation of additional cargo handling capacity in anticipation of the military build-up, as well as a 20-year long term focus on addition improvements targeted towards achieving operational and financial sustainability, and self-sufficiency through tariff adjustments to reduce or eliminate dependence on outside funding assistance.

A public hearing for the 2013 Master Plan was held on December 23, 2013, in compliance with Title 5 GCA, Chapter 1, Article 2, Centralized Planning. On March 13, 2014, Acting Governor Raymond Tenorio signed into law Public Law 32-155, "An Act to Approve and Adopt the Capital Improvement Projects (CIP) Schedule and Land Use Designation in the Port's Master Plan Update".

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The Authority's investment in capital assets as of September 30, 2014, totaled $71.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, office and cargo handling equipments, inventory and construction-in-progress. The total net decrease in the Authority's investment in capital assets for the current fiscal year was $3 million or 4%.

Major capital asset activity during 2014 included the following:

- Building and wharf account increased by $6.6 million due to Port Security Enhancement (PCC) Project, GDP Marina Renovation Phase II, Agat Marina A-Dock, Gulf Pier Pipeline Project and F5-F6 Lighting upgrade.

- Building and wharf account decreased by $7.7 million due to completion of Phase II of the Guam Commercial Port Improvement Program which include increasing breakbulk area. Increased area was a result of the Transit Shed No. 2 and old gas station was demolished.

- Crane account decreased by $4.8 million due to survey of three (3) sidelifters and the harbor mobile crane.

See note 3 to the financial statements for additional information on the Authority's capital asset activity during the years ended September 30, 2014 and 2013.

Debt

The Authority obtained a $3.5 million loan from ANZ bank in October 2010 for the purchase of 4 new Hyster Top Lifters and 10 new Ottawa terminal yard tractors.

In December 2012, the Authority obtained a $12 million loan from ANZ bank for the purchase of 3 used gantry cranes.

In April 2014, the Port obtained a $10 million loan from Bank of Guam for the Service Life Extension project to repair the wharfs, acquire multiple top lifter equipment and upgrade of its financial management system. The loan is undrawn as of September 30, 2014.

The financial covenants of the loans require the following ratios:

a) Interest Coverage Ratio: PAG shall maintain an Interest Coverage Ratio of 1.5 to 1, calculated as follows:

$$\frac{\text{Net Profit (Loss) Before Depreciation, Interest, Taxes and Amortization}}{\text{Total Interest Expense}}$$

b) Debt Service Coverage Ratio: PAG shall maintain a Debt Service Coverage ratio of 1.30 to 1, calculated as follows:

$$\frac{\text{Net Profit (Loss) Before Depreciation, Interest, Taxes and Amortization}}{\text{Total Interest Expense + Principal Debt Reductions}}$$

The interest coverage ratio is 10.01 and the debt service coverage ratio is 5.61 for the year ended September 30, 2014.

See note 5 to the financial statements for additional information on the Authority's debt financing activities during the years ended September 30, 2014 and 2013.

FISCAL YEAR 2015 OUTLOOK

The following are the courses of action that the Port aims to accomplish or complete in FY 2015:

5 Year Tariff Petition

In December 2014, the Port received the updated 5 Year Tariff Schedule that factored changes to the Port Master Plan and updated financial and volume information. This schedule is under review and management will make recommendations to the Board of Directors to pursue rate increases with the PUC.

Facility Maintenance Fee Projects

Through the Facility Maintenance Fee, the Authority plans the following projects:

- A/E Services for Wheel Stopper, Storm Drainage System Repair & Gate House Repair
- Concrete Storm Drain Channel System Upgrade
- Container Yard Water Line Valves
- Container Yard Asphalt Pavement Repairs

Port Security Grant Program (PSGP)

As part of the Port Security Grant Program of the U.S. Department of Homeland Security, the Authority was awarded over $9.7 million in federal security grants to help secure the commercial port. Through this program, the Authority proceeded with the following projects:

- Maritime and Port Security Operations Center and Port Security Enhancements Project: The construction work to build a centralized Port Command Center, as well as the integration of all CCTV, access control, communications and security systems was awarded in November 2012 and completed in June 2014. The access control is ongoing.

- Procurement of Mobile Containerized X-Ray Screening System, 3-Prime Power Backup Generators and Harbor Master's Communication System are other funded projects that are expected to be completed by FY 2015.

- Construction of CMU Wall and Replacement of Perimeter Security Fencing funded by the Port's 2013 PSGP with a completion date of September 2015.

Agat Small Boat Marina Renovation

In November 2013, the Port requested modification of lapsed funds of $939,484 from the Department of the Interior Office of Insular Affairs, Grant number Guam-CIP-2012-2, for the Gregorio D. Perez Marina Renovation and Site Improvement Phase II to the Agat Small Boat Mariana Dock C, D and floating dock replacements. The Port's request to reprogram funds was approved in March 2014. This amount was not sufficient for replacement of Dock C, D and floating docks therefore, the Port has budgeted $$653,724 to complete the replacement. The project is ongoing and expected to be completed in May 2015.

Other Marina and Harbor of Refuge Projects

- Renovation of the Guam Harbor of Refuge-Architectural and Engineering Design including Environmental Study Phase for the moorings
- Renovation of the Existing Pump-out Stations at the Marinas
- Agat Small Boat Marina Replacement of existing rusty fish hook at the facility.
- Agat Small Boat Marina Concrete Catwalk

Port Modernization Program (Guam Commercial Port Improvement Program)

As a result of the planned U.S. military relocation to Guam, the Port updated its Master Plan in 2007 as the framework of the Port Modernization Program. In 2011, the Military Buildup Program experienced a call for a re-set, requiring an updated Environmental Impact Statement, which delayed and downsized cargo projections and created significant uncertainty for cargo-related revenue projections. Due to changing factors resulting from the reduction in the scope and timeline for the military buildup and corresponding impact on cargo forecasts, the Port Modernization Program was re-set and reconfigured to address organic growth.

The Guam Commercial Port Improvement Program (GCPIP) aims to expand its terminal yard operations area, upgrade its equipment and maintenance capabilities and improve its waterfront access. The GCPIP projects are preliminary improvements to meet the minimum requirements of PL 29-125, the needs of the people of Guam, reduced relocation military troops and modernize critical facilities at the Commercial Port. Projects under the GCPIP include the following:

- Container Freight Station Building Renovation: The construction work has been awarded and completed by February 2014.

- Selected Break Bulk Yard Modifications: The Notice to proceed for the project was issued in August 2013, and completed in May 2014.

- Container Yard and Gate House Expansion Project: The construction work has been awarded and estimated completion by September 2015.

Replacement/Upgrade of Golf Pier Fuel Pipeline

The Replacement/Upgrade of the existing fuel lines at the Golf Pier is a joint project with the Department of Public Works. This project will be funded by the Federal Highway Administration (FHWA) and in part by the Port Authority of Guam. The design work for this project was commissioned by the Authority and has since been turned over to FHWA/DPW for bid packaging. The notice to proceed (NTP) was issued in May 2014 and it is expected to be completed in March 2015.

Service Life Extension (SLE) Program

The SLE Program was developed to address structural repair work at the Port's F-5 Wharf and marine repairs to F-3, F-4 and F-6 Wharves. After obtaining approval from the Port's Board of Directors, the Authority engaged the Guam Economic Development Authority (GEDA) to begin soliciting the financing services on behalf of the Port to fund the SLE Program for $10 Million. In September 2012, GEDA issued the solicitation package for a $10 Million loan to fund the SLE Program, upgrade the Financial Management System and acquisition of cargo handling equipment. The financing contract award took place in November 2012. The $10 Million loan documents were fully executed on April 3, 2014.

The solicitation process for the construction work for the SLE Program began on April 21, 2014 through an Invitation for Bid. The Public Utilities Commission approved the construction agreement in the meeting of July 31 2014; thereby followed by contract execution on August 20, 2014. The Notice to Proceed the construction work was issued on December 30, 2014 to take effect January 5, 2015 and anticipated completion within 360 calendar days (January 2016).

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, 2013 is set forth in the report on the audit of financial statements which is dated February 26, 2014. That Discussion and Analysis explains in more detail major factors impacting the 2013 financial statements. A copy of that report can be obtained via the contact below.

For additional information about this report, please contact Joann B. Conway, 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, 2014 and 2013

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents - unrestricted	$ 14,098,290	$ 10,848,206
Accounts receivable, net of allowance for doubtful accounts of $849,439 and $812,332 in 2014 and 2013, respectively	7,840,410	7,216,432
Federal receivables	263,950	1,939,720
Prepaid expenses	20,125	11,464
Total current assets	22,222,775	20,015,822
Cash and cash equivalents - restricted expendable	965,546	445,691
Replacement parts inventories, net of allowance for obsolescence of $99,400 and $61,393 in 2014 and 2013, respectively	110,795	131,149
Depreciable property, plant and equipment, net	55,267,915	55,170,099
Nondepreciable property, plant and equipment, net	16,294,223	19,421,658
	$ 94,861,254	$ 95,184,419

LIABILITIES AND NET POSITION	2014	2013
Current liabilities:		
Current portion of long-term bank debt	$ 749,228	$ 708,048
Accounts payable, trade and others	2,458,963	5,496,307
Security deposits and other payables	316,038	520,305
Accrued payroll and withholdings	434,178	369,046
Current portion of accrued annual leave	1,196,251	1,063,410
Unearned revenue	307,043	237,301
Total current liabilities	5,461,701	8,394,417
Long-term bank debt, net of current portion	13,198,596	13,950,936
Accrued annual leave, net of current portion	216,406	296,904
Accrued sick leave	1,330,654	1,216,520
Total liabilities	20,207,357	23,858,777
Commitments and contingencies		
Net position:		
Net investment in capital assets	57,614,314	59,932,773
Restricted - expendable	965,546	445,691
Unrestricted	16,074,037	10,947,178
Total net position	74,653,897	71,325,642
	$ 94,861,254	$ 95,184,419

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, 2014 and 2013

	2014	2013
Operating revenues:		
Cargo throughput charges	$ 26,407,993	$ 25,605,824
Equipment and space rental	7,709,429	7,503,461
Crane surcharge	5,669,942	4,118,306
Wharfage charges	4,492,616	4,184,706
Special services	298,351	313,492
Other operating income	373,985	184,589
	44,952,316	41,910,378
(Provision for) recovery of bad debts	(69,929)	157,916
	44,882,387	42,068,294
Operating expenses:		
Management and administration	8,395,471	8,831,804
Equipment maintenance	5,593,328	7,651,120
Depreciation	4,836,830	4,892,633
Transportation services	4,609,576	4,780,033
Stevedoring services	3,494,406	3,557,879
General expenses	3,187,516	3,185,863
Insurance	2,223,647	2,266,422
Utilities	2,046,873	2,160,286
Terminal services	2,019,922	1,996,973
Facility maintenance	1,580,954	1,495,636
Total operating expenses	37,988,523	40,818,649
Earnings from operations	6,893,864	1,249,645
Nonoperating (expenses) revenues:		
U.S. Government operating grants	-	33,851
Other income (expense), net	162,490	(6,235)
Interest (expense) income, net	(731,915)	(541,162)
Loss from disposal of property, plant and equipment	(3,093,436)	(664,395)
COLA/supplemental annuities	(2,320,421)	(2,156,036)
Write-off of property, plant and equipment	(1,747,321)	(2,608,576)
Total nonoperating expenses, net	(7,730,603)	(5,942,553)
Loss before capital contributions	(836,739)	(4,692,908)
Contributed capital:		
U.S. Government grants	4,164,994	4,785,296
Increase in net position	3,328,255	92,388
Net position at beginning of year	71,325,642	71,233,254
Net position at end of year	$ 74,653,897	$ 71,325,642

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, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from customers	$ 44,328,151	$ 39,864,363
Cash payments to suppliers for goods and services	(14,827,444)	(12,194,793)
Cash payments to employees for services and benefits	(23,642,979)	(24,251,645)
Net cash provided by operating activities	5,857,728	3,417,925
Cash flows from investing activity - interest received	174,117	190,239
Cash flows from capital and related financing activities:		
Capital grants received	5,840,764	3,346,777
Proceeds from long-term bank debt	-	12,000,000
Repayment of long-term bank debt	(711,160)	(542,025)
Interest paid	(906,032)	(731,401)
Purchase of property, plant and equipment	(6,647,968)	(17,301,487)
Net cash used in capital and related financing activities	(2,424,396)	(3,228,136)
Cash flows from non-capital related financing activities:		
Operating grants received	-	33,851
Other non-capital activities	162,490	(6,235)
Cash provided by non-capital and related financing activities	162,490	27,616
Net increase in cash and cash equivalents	3,769,939	407,644
Cash and cash equivalents at beginning of year	11,293,897	10,886,253
Cash and cash equivalents at end of year	$ 15,063,836	$ 11,293,897
Reconciliation of statements of cash flows to the statements of net position:		
Cash and cash equivalents - unrestricted	$ 14,098,290	$ 10,848,206
Cash and cash equivalents - restricted expendable	965,546	445,691
	$ 15,063,836	$ 11,293,897

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, 2014 and 2013

	2014	2013
Reconciliation of earnings from operations to net cash provided by operating activities:		
Earnings from operations	$ 6,893,864	$ 1,249,645
Adjustments to reconcile earnings from operations to net cash provided by operating activities:		
Depreciation	4,836,830	4,892,633
Provision for (recovery of) bad debts	69,929	(157,916)
Payments for COLA/supplemental annuities	(2,320,421)	(2,156,036)
Changes in operating assets and liabilities:		
Accounts receivable, net	(693,907)	(2,099,955)
Prepaid expenses	(8,661)	117,021
Replacement parts inventories, net	20,354	(5,274)
Accounts payable, trade and others	(3,037,344)	1,463,538
Security deposits and other payables	(204,267)	(67,565)
Accrued payroll and withholdings	65,132	47,359
Accrued annual leave	52,343	(30,263)
Unearned revenue	69,742	53,940
Accrued sick leave	114,134	110,798
Net cash provided by operating activities	$ 5,857,728	$ 3,417,925

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.

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 the Government of Guam 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). On January 30, 2014, PUC approved 5.65% increase in tariff rate with the exception of bunkering/fuel throughput/waste oil rates and crane surcharge effective March 2, 2014. 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. All expenses related to operating the Authority are reported as operating expenses. COLA/supplemental annuities are reported as nonoperating expenses and revenues. 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 after liabilities 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, 2014 and 2013 is expendable.

Unrestricted:

Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action by 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 and deposits in banks and time certificates of deposit with initial maturities of three months or less. Restricted cash is considered to be cash and cash equivalents but is separately classified in the statement of net position.

Accounts Receivable and Allowance for Doubtful Accounts

Substantially all of the Authority's accounts receivable as of September 30, 2014 and 2013 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, 2014 and 2013, receivables that are more than thirty days past due totaled $3,466,990 and $3,745,567, 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 collectibility 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 the Government of Guam. 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 rates are credited at either 104, 156 or 208 hours per year, depending upon their 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 to receive a lump sum payment of one-half of their accumulated sick leave upon retirement.

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

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, 2014, 2013 and 2012.

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.

Taxes

As an instrumentality of the Government of Guam (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.

New Accounting Standards

During the year ended September 30, 2014, the Authority implemented the following pronouncements:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

- GASB Statement No. 67, *Financial Reporting for Pension Plans,* which revises existing guidance for the financial reports of most pension plans.

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement.

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

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

New Accounting Standards, Continued

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions,* which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of the Authority and will require a restatement disclosure upon implementation. As of September 30, 2014, the net pension liability that the Authority will record upon implementation of Statement 68 is anticipated to be $45,329,045.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations,* which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

Reclassifications

Certain reclassifications have been made to 2013 financial statements to correspond to the 2014 presentation.

(2) Deposits

GASB Statement No. 40 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 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.

(2) Deposits, Continued

As of September 30, 2014 and 2013, the carrying amount of the Authority's cash and cash equivalents totaled $15,063,836 and $11,293,897, respectively, and the corresponding bank balances were $15,694,684 and $11,386,459, respectively, all of which were maintained in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of September 30, 2014 and 2013, bank deposits in the amount of $500,000 and $750,000, respectively, were FDIC insured. 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. 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.

(3) Property, Plant and Equipment

A summary of changes in property, plant and equipment for the years ended September 30, 2014 and 2013 is as follows:

	Beginning Balance October 1, 2013	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2014
Depreciable:				
Buildings	$ 75,029,314	$ 6,698,382	$ (7,644,860)	$ 74,082,836
Equipment	36,397,247	1,329,700	(5,905,468)	31,821,479
	111,426,561	8,028,082	(13,550,328)	105,904,315
Less accumulated depreciation	(56,256,462)	(4,836,830)	10,456,892	(50,636,400)
	55,170,099	3,191,252	(3,093,436)	55,267,915
Non-depreciable:				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	15,858,658	6,415,009	(9,542,444)	12,731,223
	19,421,658	6,415,009	(9,542,444)	16,294,223
Total	$ 74,591,757	$ 9,606,261	$(12,635,880)	$ 71,562,138

	Beginning Balance October 1, 2012	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2013
Depreciable:				
Buildings	$ 72,898,132	$ 2,131,182	$ -	$ 75,029,314
Equipment	28,728,125	12,223,236	(4,554,114)	36,397,247
	101,626,257	14,354,418	(4,554,114)	111,426,561
Less accumulated depreciation	(55,253,548)	(4,892,633)	3,889,719	(56,256,462)
	46,372,709	9,461,785	(664,395)	55,170,099
Non-depreciable:				
Land	3,563,000	-	-	3,563,000
Construction work-in-progress	15,520,165	5,263,791	(4,925,298)	15,858,658
	19,083,165	5,263,791	(4,925,298)	19,421,658
Total	$ 65,455,874	$ 14,725,576	$ (5,589,693)	$ 74,591,757

(4) Employees' Retirement Plan

Defined Benefit Plan

Plan Description:

The Authority participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing, multiple-employer defined benefit pension plan, administered by the GovGuam Retirement Fund (GGRF) to which all funds and agencies, including component units, as well as employees who are members of the DB Plan, contribute a fixed percentage of qualifying payroll. The DB Plan provides retirement, disability, and survivor benefits to members and beneficiaries who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature.

All new employees whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group. Membership in the DB Plan was mandatory for all full-time employees, except for those compensated on a fee basis, independent contractors, and persons aged 60 or over upon employment. Most employees may retire with full benefits at age 60 with at least 10 years of service, or after 25 years of service, regardless of age. Vesting of benefits is optional for employees with 3 to 19 years of service, but is mandatory for employees with 20 or more years of service.

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 GGRF, 424 A Route 8, Maite, Guam 96910, or by visiting its website - www.ggrf.com.

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2012, 2011, and 2010, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2014, 2013 and 2012, respectively, have been determined as follows:

	2014	2013	2012
Normal costs (% of DB Plan payroll)	16.61%	17.52%	17.07%
Employee contributions (DB Plan employees)	9.50%	9.50%	9.50%
Employer portion of normal costs (% of DB Plan payroll)	7.11%	8.02%	7.57%
Employer portion of normal costs (% of total payroll)	2.39%	3.00%	3.03%
Unfunded liability cost (% of total payroll)	24.01%	24.33%	23.75%
Government contribution as a % of total payroll	26.40%	27.33%	26.78%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	30.03%	30.09%	28.30%
Employee	9.50%	9.50%	9.50%

(4) Employees' Retirement Plan, Continued

The Authority's contribution to the DB Plan for the years ended September 30, 2014, 2013 and 2012 totaled $1,523,378, $1,656,285 and $1,482,141, respectively, which are equal to the required contributions for those years.

Defined Contribution Retirement System (DCRS)

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual investment account within the DCRS. Employees are afforded the opportunity to select from different investment accounts available under the DCRS.

Statutory employer contributions for the DCRS plan for the years ended September 30, 2014 and 2013, 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 member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS plan are always 100% vested in their own contributions, plus earnings thereon. Upon completion of five years of governmental service, as defined, DCRS members are 100% vested in employer contributions plus any earnings thereon.

The Authority's contributions for the DCRS plan payroll for the years ended September 30, 2014, 2013 and 2012 were $3,411,432, $3,437,123 and $3,111,487, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $3,071,597, $3,088,129 and $2,773,979 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2014, 2013 and 2012, respectively.

Public Law 26-86 allows members of the DCRS plan to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. The Authority has accrued an estimated liability of $1,330,654, $1,216,520 and $1,105,722 at September 30, 2014, 2013 and 2012, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and the actual payout may be materially different than estimated.

Other Post-Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with $10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the 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.

(4) Employees' Retirement Plan, Continued

Other Post-Employment Benefits, Continued

For the years ended September 30, 2014, 2013 and 2012, the Authority reimbursed GovGuam for certain supplemental benefits for retirees, including contributions for the abovementioned Plan, as follows:

	2014	2013	2012
Medical and dental	$ 1,198,985	$ 1,216,975	$ 1,171,262
Supplemental benefits	1,073,756	889,614	861,201
Life insurance	47,680	49,447	46,604
	$ 2,320,421	$ 2,156,036	$ 2,079,067

(5) Long-Term Liabilities

Summary

Long-term liabilities of the Authority consist of annual leave and sick leave payable to its employees and long-term bank debt. Changes in long-term liabilities for the years ended September 30, 2014 and 2013 are as follows:

	Outstanding at September 30, 2013	Increases	Decreases	Outstanding at September 30, 2014	Current	Noncurrent
Accrued annual leave	$ 1,360,314	$ 1,179,182	$1,126,839	$ 1,412,657	$1,196,251	$ 216,406
Accrued sick leave	1,216,520	114,134	-	1,330,654	-	1,330,654
Long-term bank debt	14,658,984	-	711,160	13,947,824	749,228	13,198,596
	$17,235,818	$ 1,293,316	$1,837,999	$16,691,135	$1,945,479	$14,745,656

	Outstanding at September 30, 2012	Increases	Decreases	Outstanding at September 30, 2013	Current	Noncurrent
Accrued annual leave	$ 1,390,577	$ 1,209,815	$1,240,078	$ 1,360,314	$1,063,410	$ 296,904
Accrued sick leave	1,105,722	110,798	-	1,216,520	-	1,216,520
Long-term bank debt	3,201,009	12,000,000	542,025	14,658,984	708,048	13,950,936
	$ 5,697,308	$13,320,613	$1,782,103	$17,235,818	$1,771,458	$15,464,360

(5) Long-Term Liabilities, Continued

Long-term Bank Debt

Long-term debt consists of the following at September 30, 2014 and 2013:

- $3,500,000 loan obtained from ANZ Guam, Inc. (ANZ) on October 22, 2010, representing a portion of the $4,500,000 United States Department of Agriculture (USDA) Guaranteed Term Loan. The remainder of the USDA guaranteed loan is unused as of September 30, 2014. The term loan bears interest at 3% above the Federal Home Loan Bank of Seattle's 15-year amortizing fixed advanced rate at the time of funding (6.18% at September 30, 2014 and 2013) and is payable in monthly installments of $30,049 in principal and interest over fifteen years. Proceeds of the loan were used to reimburse the Authority for the acquisition of four top lifters and ten terminal yard contractors which are also pledged as collateral for the loan. The outstanding principal balance as of September 30, 2014 and 2013 is $2,860,900 and $3,037,138, respectively.

- $12,000,000 loan obtained from ANZ on December 20, 2012, guaranteed by USDA. The term loan bears interest at 3.42% above the Federal Home Loan Bank of Seattle's 15-year amortizing rate at the time of funding (5.94% at September 30, 2014 and 2013) and is payable in monthly installments of $101,427 in principal and interest over fifteen years. Proceeds of the loan were used to finance the acquisition of the used cranes identified as Port of Los Angeles Cranes and Gantry Cranes (collectively the "cranes") from Matson Navigation Company LLC and Horizon Lines LLC which are also pledged as collateral for the loan. The outstanding principal balance as of September 30, 2014 and 2013 is $11,086,924 and $11,621,846, respectively.

In relation to the purchase, maintenance and use of the cranes, pursuant to a PUC order, the Authority established and implemented a crane surcharge. PUC also ordered that 9.5% of the revenues from the crane surcharge be deposited in a crane reserve account restricted for the purposes of future crane acquisitions, any payment due to default on any crane loan liability or any extraordinary corrective maintenance events. The balance in the reserve account at September 30, 2014 and 2013 is $965,546 and $445,691, respectively.

In April 2014, the Authority obtained a $10,000,000 loan from Bank of Guam, payable in ten years, for the purpose of funding the cost of service life extension repairs to the berths or wharves and for either or both of (a) funding the cost of software acquisition for the purpose of upgrading the financial management system, (b) funding the cost of acquisition of a container handling top-lifter. The funding for service life extension repairs shall have the priority. The term loan bears interest at 2.55% above the Federal Home Loan Bank of Seattle Long Term 5-year amortizing fixed rate in effect from time to time or 3.75% whichever is greater. The interest rate shall be adjusted on the fifth anniversary. The term loan will be secured by the Facility Maintenance Fee revenues which are deposited in a special fund with a balance of $1,361,950 as of September 30, 2014. The Authority is also required to maintain a reserve account at the sum of principal and interest due and the aggregate amount of payments to become due in the next 90 days. The balance in the reserve account at September 30, 2014 is $316,869. The Authority has not drawn funds against the loan as of September 30, 2014.

(5) Long-Term Liabilities, Continued

Long-term Bank Debt, Continued

As of September 30, 2014, future maturities of long-term bank debt are as follows:

Year ending September 30,	Principal	Interest	Total Debt Service
2015	$ 749,228	$ 828,479	$ 1,577,707
2016	796,174	781,533	1,577,707
2017	848,188	729,519	1,577,707
2018	901,248	676,459	1,577,707
2019	957,628	620,079	1,577,707
2020 through 2024	5,762,535	2,125,998	7,888,533
2025 through 2028	3,932,823	386,171	4,318,994
	$ 13,947,824	$ 6,148,238	$ 20,096,062

(6) Major Customers

The Authority has three major shipping agency customers that collectively accounted for 77.42% and 78.63% of total operating revenues for the years ended September 30, 2014 and 2013, respectively. The Authority has a high concentration of credit risk due to the limited number of entities comprising its customer base.

(7) Rental Operations

The Authority, in cooperation with the GEDA, leases space to tenants under noncancelable operating leases, with options to renew, providing for future minimum rentals. The minimum future rental on noncancelable operating leases for the five succeeding fiscal years and thereafter, are as follows:

Year ending September 30,	Amount
2015	$ 1,182,416
2016	1,182,416
2017	1,182,416
2018	1,182,416
2019	1,182,416
Thereafter	3,329,994
	$ 9,242,074

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 $7,709,429 and $7,503,461 for the years ended September 30, 2014 and 2013, respectively.

(8) 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 over the next five years 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 with the Phase I-A of the Plan in 2010 and is to be funded by the following:

Appropriation from the U.S. Department of Defense (USDOD)	$ 50,000,000
Appropriations from the USDA:	
Direct loans	25,000,000
Community Facilities Guaranteed Loan with ANZ	25,000,000
Guaranteed term loan with ANZ	4,500,000
	$ 104,500,000

The appropriation from the U.S. Department of Defense (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 will be administered and disbursed by MARAD based on the terms of the MOU, however, with the approval and authorization of the Authority. The Authority intends to first utilize this appropriation before drawing down on the $25,000,000 USDA appropriations.

The appropriations from USDA were awarded on October 22, 2010. On the same date, the Authority received $3,500,000 of the guaranteed term loan with ANZ (see note 5). The remaining $1,000,000 guaranteed term loan is unused as of September 30, 2014. The Authority anticipates that it will not utilize the unused portion of the loan.

In 2011, due to changes in certain factors relating to the military buildup and cargo forecast, the Authority will not be able to proceed with the $25,000,000 direct loan.

In 2012, the Authority utilized $12,000,000 of the Community Facilities Guaranteed loan with ANZ for acquisition of the cranes (see note 5).

(8) Commitments and Contingencies, Continued

Port Modernization Plan, Continued

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.

At September 30, 2014 and 2013, the Authority has $11.4 million and $11.7 million, respectively, recorded in construction work-in-progress for the Port Modernization Plan. Realization of these assets is dependent on future events, including continuation of the Plan as currently envisioned. In 2014 and 2013, $1.7 million and $2.6 million, respectively, of the capitalized project costs were written-off to expense as the Authority believes the assets are not realizable and due to downscaling of the original Plan.

The Authority segregated the construction funded by the $50,000,000 USDOD appropriation into three phases. As of September 30, 2014, Phase 2 of the construction is completed; however, it is not recorded as timely cost information was not received from MARAD.

USDA Community Facility Loans

In 2010, USDA also awarded a $2,000,000 direct loan and $12,000,000 of guaranteed loans intended for the purchase of gantry cranes pursuant to Public Law 30-100 which mandates the Authority to acquire at least two gantry cranes no later than December 31, 2012. In 2012, the Authority utilized the $12,000,000 guaranteed loans for the purchase of the cranes (see note 5). The Authority requested USDA to re-direct the $2,000,000 loan for purposes of acquiring critical equipment. In 2014, USDA approved the request and the Authority is in the process of closing the loan as of September 30, 3014.

Government of Guam General Fund

In March 2011, the Authority received a $12,250,000 invoice from the Government of Guam'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.

In September 2011, the Authority accrued $700,000 representing its liability towards the AAICF funding based on its interpretation of the law. The amount is included in accounts payable, trade and others in the accompanying statements of net position as of September 30, 2014 and 2013.

(8) Commitments and Contingencies, Continued

Lawsuit and Claims

The Authority is a defendant in various lawsuits and proceedings arising in the normal course of business. While the outcome of these 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 a material adverse effect on the Authority's financial statements, and therefore no provision has been recorded for these claims in the 2014 and 2013 financial statements.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of the Government of Guam, 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. In 2013, the Authority paid $194,000 of merit bonuses to active employees and accrued $184,000 as of September 30, 2013 of estimated merit bonuses to be paid to inactive and retired employees. The remaining estimated accrued merit bonus as of September 30, 2014 is $54,000.

Gantry 3 Crane

Management has assessed that the usage versus the cost associated to maintain the Gantry 3 crane far exceeds its actual hours of operation and performance activity and therefore, management recommends decommission of the crane. However, management has not determined when the asset will be surveyed. No adjustment to the estimated useful life of the asset has been made to the Authority's financial statements. Gantry 3 has a net book value of $3,400,000 at September 30, 2014.

(9) Crane Surcharge

Pursuant to a PUC rate order effective January 1, 2013, the Authority implemented a crane surcharge of $105 for each loaded import and export container and first carriers fully loaded transshipment containers handled at the Port, increasing to $125 per container after February 28, 2013. In addition, the rate order required the Authority to assess a $5 per ton surcharge on break bulk cargo, capped at $105 per item.

The rate order also required the Authority to deposit 9.5% of surcharge revenues into a crane replacement sinking fund, which is restricted for the future acquisition of cranes, loan payments in default on past due crane liability or extraordinary corrective maintenance events (see note 5).

The Authority recorded $5,669,942 and $4,118,306 of crane surcharge revenue for years ended September 30, 2014 and 2013, respectively.

(10) Restricted Net Position

At September 30, 2014 and 2013, net position is restricted for the following purposes:

	2014	2013
Future crane acquisition, crane debt service or extraordinary crane maintenance	$ 965,546	$ 445,691

(11) Subsequent Events

Phase I of the three phases of Port Modernization construction funded by the $50,000,000 USDOD appropriation was completed on October 1, 2014. Cost of construction approximates $1.3 million.

OTHER FINANCIAL INFORMATION

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

Schedule of Funding Progress and Actuarial Accrued Liability - Post Employment Benefits Other than Pension (Unaudited)

The Schedule of Funding Progress presents GASB 45 results of Other Post Employment Benefits (OPEB) valuations as of fiscal year ends September 30, 2011, 2009, and 2007 for the Port Authority of Guam's share of the Government of Guam Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
October 1, 2007	$ -	$ 13,651,000	$ 13,651,000	0.0%	$ 10,981,000	124.3%
October 1, 2009	$ -	$ 32,847,000 *	$ 32,847,000 *	0.0%	$ 12,236,000	268.4%
October 1, 2011	$ -	$ 37,028,000	$ 37,028,000	0.0%	$ 13,878,000	266.8%

* No formal valuation was performed. The liabilities as of October 1, 2009 represent discounted October 1, 2011 liabilities.

The actuarial accrued liability presented above is for the Authority's active employees only. It does not include the actuarial accrued liability for the Authority's retirees, which was not separately presented in the OPEB valuation.

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Details of Operating Expenses
Years Ended September 30, 2014 and 2013

	2014	2013
Management and administration:		
Management:		
Salaries and wages - regular	$ 401,191	$ 287,920
Benefits - Government contribution	130,346	96,748
Annual leave	33,830	24,290
Fringe benefits	14,521	11,476
Office supplies	1,353	1,686
Furnishings and equipment	1,124	-
Salaries and wages - overtime	759	
Salaries and wages - other	-	2,660
Miscellaneous	27,123	18,847
Total management	610,247	443,627
Administration:		
Salaries and wages - regular	4,764,518	5,117,935
Benefits - Government contribution	1,647,999	1,778,816
Annual leave	422,380	464,382
Fringe benefits	299,026	294,491
Repairs and maintenance	149,844	161,986
Salaries and wages - overtime	145,996	176,130
Furnishings and equipment	66,998	59,276
Salaries and wages - other	56,924	126,195
Operational supplies	51,478	20,703
Office supplies	31,054	28,690
Miscellaneous	149,007	159,573
Total administration	7,785,224	8,388,177
Total management and administration	$ 8,395,471	$ 8,831,804

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Details of Operating Expenses, Continued
Years Ended September 30, 2014 and 2013

	2014	2013
Equipment Maintenance:		
Salaries and wages - regular	$ 2,161,368	$ 2,264,379
Repairs and maintenance	1,630,175	3,411,010
Benefits - Government contribution	785,473	826,866
Operational supplies	271,681	404,443
Annual leave	197,752	197,590
Salaries and wages - overtime	179,787	122,182
Salaries and wages - other	174,052	203,568
Fringe benefits	156,633	157,874
Contractual	23,529	53,686
Furnishings and equipment	10,437	7,629
Office supplies	2,441	1,893
Total equipment maintenance	$ 5,593,328	$ 7,651,120
Transportation Services:		
Salaries and wages - regular	$ 2,434,737	$ 2,495,037
Benefits - Government contribution	907,235	928,461
Salaries and wages - overtime	359,010	396,927
Gas, oil and diesel	348,648	434,094
Fringe benefits	211,452	175,092
Annual leave	205,616	199,127
Salaries and wages - other	136,238	149,296
Furnishings and equipment	4,381	232
Operational supplies	1,263	1,207
Office supplies	996	560
Total transportation services	$ 4,609,576	$ 4,780,033

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Details of Operating Expenses, Continued
Years Ended September 30, 2014 and 2013

	2014	2013
Stevedoring Services:		
Salaries and wages - regular	$ 2,008,141	$ 2,013,636
Benefits - Government contribution	720,173	738,338
Salaries and wages - overtime	269,636	324,600
Fringe benefits	190,717	171,609
Annual leave	170,840	171,245
Salaries and wages - other	122,490	135,339
Operational supplies	12,020	2,514
Office supplies	389	598
Total stevedoring services	$ 3,494,406	$ 3,557,879
Facility Maintenance:		
Salaries and wages - regular	$ 843,022	$ 785,670
Benefits - Government contribution	316,478	307,631
Operational supplies	121,592	90,407
Salaries and wages - overtime	120,065	157,735
Annual leave	72,592	64,982
Fringe benefits	57,189	56,026
Salaries and wages - other	20,564	24,118
Repairs and maintenance	12,600	5,271
Furnishings and equipment	7,672	3,530
Office supplies	540	266
Miscellaneous	8,640	-
Total facility maintenance	$ 1,580,954	$ 1,495,636

See Accompanying Independent Auditors' Report.

PORT AUTHORITY OF GUAM
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Details of Operating Expenses, Continued
Years Ended September 30, 2014 and 2013

	2014	2013
Terminal Services:		
Salaries and wages - regular	$ 1,199,311	$ 1,201,142
Benefits - Government contribution	427,107	416,548
Salaries and wages - overtime	138,086	147,933
Fringe benefits	115,548	91,493
Annual leave	92,020	91,250
Salaries and wages - other	38,375	39,632
Office supplies	8,496	8,562
Operational supplies	979	413
Total terminal services	$ 2,019,922	$ 1,996,973
General Expenses:		
Managers' fee	$ 757,820	$ 502,778
Legal counsel	774,803	923,563
Professional services	654,827	803,671
Maintenance	390,566	185,675
Waste removal	122,539	145,051
Workmen's compensation injury allowance	94,796	29,376
Agency fee	45,826	43,558
Inventory adjustment	42,518	23,403
Audit	42,000	42,000
Loan fees	12,500	116,030
Board of Directors expense	4,263	5,538
Merit bonus	-	191,795
Port incentive award	-	15,905
Claims and damages	-	2,550
Miscellaneous	245,058	154,970
Total general expenses	$ 3,187,516	$ 3,185,863

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, 2014 and 2013

	2014	2013
Salaries and wages - regular	$ 13,812,288	$ 14,165,719
Benefits - Government contribution	4,934,811	5,093,408
Salaries and wages - overtime	1,213,339	1,325,507
Fringe benefits	1,045,086	958,061
Salaries and wages - other	548,643	680,808
	$ 21,554,167	$ 22,223,503

See Accompanying Independent Auditors' Report.

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

Employees by Department
Years Ended September 30, 2014 and 2013

	2014	2013
Department:		
Management and administration	114	111
Equipment maintenance	51	50
Transportation services	61	60
Stevedoring services	53	55
Facility maintenance	27	22
Terminal services	33	33
	339	331

See Accompanying Independent Auditors' Report.