



FY 2005 ANNUAL REPORT

JOSE D. LEON GUERRERO
Port Authority of Guam
2005 Annual Report

Text and Photos by Port Authority of Guam Marketing/Communications Office

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Felix Perez Camacho
Governor

Kaleo Scott Moylan
Lieutenant Governor



A MESSAGE FROM THE GOVERNOR OF GUAM

Hafa Adai! On behalf of the men and women of the Port Authority of Guam and the people of our island, I welcome you to read this Annual Report.

The Port continues into a fourth year of cargo tonnage above the 2 million mark. Its spending is restrained and it continues to manage itself within its budget.

The positive activity at the Port is an indicator of the island's economic expansion. More than 95 percent of all goods flow through the Port Authority of Guam. The increased demand there signifies an economic turnaround that fosters the strong foundation we are building for Guam.

The Port's value continues to increase with completed and ongoing capital improvement projects to accommodate growth. Among these are the acquisition of a new gantry crane, repairs to pier-5, new lighting and the design of a new Deep Draft Wharf.

Together with the Administration, the Navy, regional and national port organizations and the private sector, the Port is advancing the island's economic capacity and preparing Guam for tremendous growth, especially with increased military presence ongoing.

I thank the men and women of the Port Authority of Guam for their hard work and dedication to our island. And I encourage you to consider their many achievements as you decide to invest in this booming island paradise.

Sinseru yan Magáhet,


FELIX P. CAMACHO
I Maga. Lahaen Guahan
Governor of Guam



Jose D. Leon Guerrero
PORT AUTHORITY OF GUAM
ATURIDAT I PUETTON GUAHAN



Richard Northey
Chairman

Joaquin Pangelinan
Vice-Chairman



Rosita Adkins
Secretary

Michael Lin
Member

A Message from the Chairman
Board of Directors

Hafa Adai! It is with great pleasure that I report that the Jose D. Leon Guerrero Commercial Port has once again surpassed the 2 million mark in cargo movement. This profitable year makes it the third consecutive for the agency. As you flip through the pages of this Fiscal Year 2005 Annual Report, you will read the highlights and see the pictures that captured the port employees' testament to outstanding service.

Aside from the exceptional performance of our port employees, most noteworthy was the issuance of the Request for Proposal (RFP) for the privatization of the port's terminal operations and equipment maintenance. In order to abide by the mandates of Public Law 27-60, PAG entered into a contract with *Mercator Transport Group* to assist in preparing and issuing the RFP. A total of three private companies submitted proposals by the July 15, 2005 deadline out of thirteen interested companies who picked up the RFP.

A selection committee was formed and members representing the board, management and employees pledged to exercise due diligence throughout the selection process since the decisions made will affect not only our port employees, but all island residents.

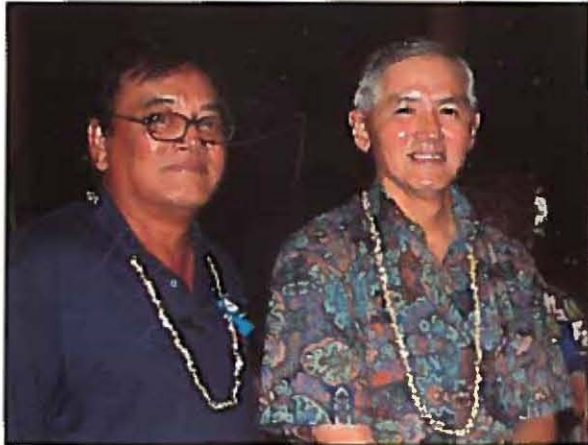
As our island continues to grow, it is prudent that we continue to provide our port users and the entire island community with reliable service. The Board of Directors vows to work with management to give the employees the necessary tools to further improve the crucial service that they provide on a daily basis.

We, the Board of Directors along with General Manager Joseph Mesa and Deputy General Manager Paul Shintaku have often been credited with the positive financial turnaround of the Authority. We realize however, that our policies and management style are only part of the equation – the biggest part is the hard work and dedication of the port employees. For that, we extend our sincere thanks and congratulations to each and every one of them for their hard work and dedication to maintaining the smooth delivery of goods to our island community.

Sincerely,

RICHARD NORTHEY

General Manager's 2005 Year in Review



General Manager Joseph F. Mesa and Deputy General Manager Paul M. Shintaku.



Financials

The Port Authority has once again exceeded the 2 million mark for cargo tonnage for the third consecutive year in FY 2005. Although a slight decrease from the record set in 2003, 2.042 million tons of cargo passed over our docks, a figure still higher than those reported from FY 1999 to FY 2002. A total of 83,867 containers entered the Port bringing goods to island residents, a 7% increase from the figure reported for FY 2004. Handling 618,936 tons of transshipment cargo, the Port experienced a slight decrease due to the closure of several garment factories in Saipan. However, these numbers are still higher than those reported from 1999 to 2002. Total vessel calls decreased from 1,648 in 2004 to 1,327 vessel calls in 2005. This decline is primarily a result of the loss of over half of the fishing vessel calls since 2001 due to the relocation of fish stock and increased vessel regulations in US ports.

As a result of the slight decrease in tonnage and the number of containers arriving on Guam, the Port experienced a 1% decrease in operating revenues bringing in \$26.7 million, down from the \$26.8 million reported in FY 2004. On the other hand, PAG's FY 2005 audit revealed that a growth in revenue was recognized from the following: throughput and wharfage, domestic grounded containers, transshipment, over stow, stuffing & devanning and equipment rental.

Although management continues to exercise fiscal responsibility, operating expenses rose from \$24.2 million in FY 2004 to \$26 million in FY 2005. This was primarily due



Fishing vessels along F3.

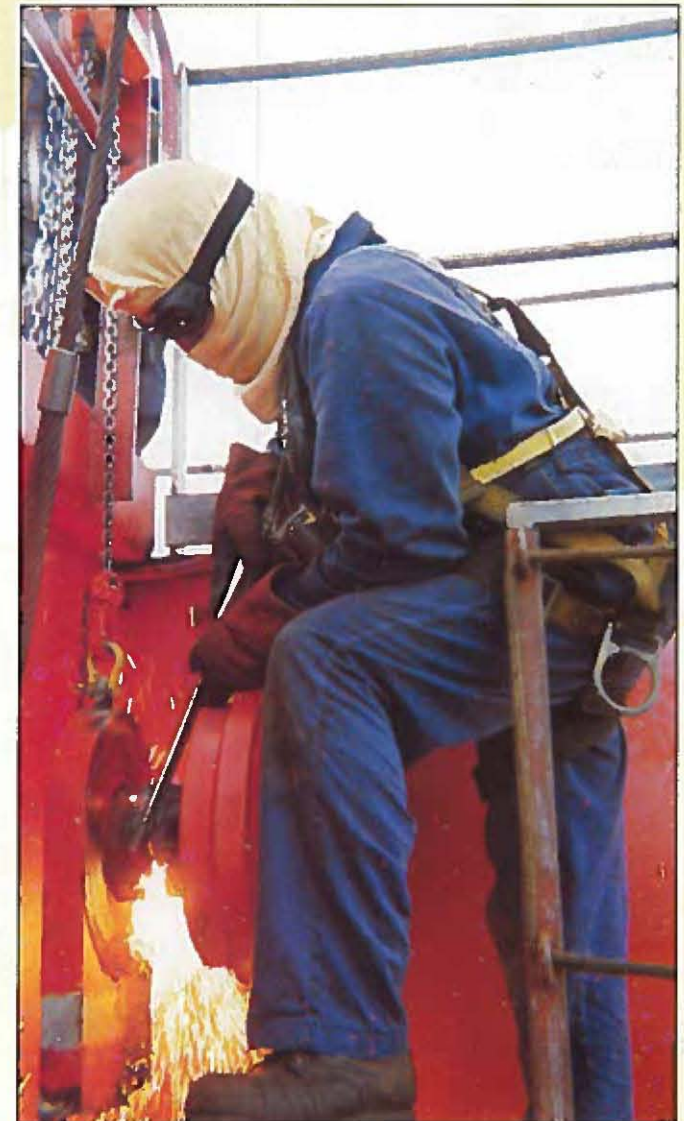
to the implementation of PL 27-106, which required the full restoration of salary increments owed to all eligible government of Guam employees. As of the end of 2005, the Port employed a workforce of 317 personnel, an increase of just one employee compared to 2004. In FY 2003, the Port had 356 employees.

In spite of the slight decrease in revenue for FY 2005, the Port has managed to once again report a net profit of \$489,000. Prior to 2003, the Port had been averaging a net loss of \$4.8 million for the past four fiscal years. Credit is given to all employees who have managed to stretch their resources to its limits and have gone beyond their assigned duties to ensure the efficient flow of operations. As other government agencies and businesses island wide increase their rates to keep up with the rising cost of doing business, the Port has managed to stay in the black without having to raise its rates. The last increase in the Port's tariff took place in 1993.

Federal Grants

In conjunction with its mission to delivering consumer goods to the island and providing other maritime services, the Port has managed to complete several capital improvement projects. In FY 2004 the Port Authority was a recipient of two grants under the Transportation Security

Welders make repairs to gantry crane.





Port Police Officer tests screening equipment prior to the arrival of passenger vessel.

Cargo checkers monitor and control the movement of containers within the yard using the Graphic Tracking System.



Passenger bags are screened before going on board the vessel.

Tourists wait patiently to get on the tour bus.



Administration's grant program. In round 3, funding of \$518,900 was awarded for portable concrete barriers, wharf surveillance system, excess hazmat container yard fencing and lighting equipment. The procurement, purchase, construction and installation of these improvements commenced immediately with projects completed by the end of FY 2005. In round 4 of the same grant program, \$280,200 was awarded for CCTV surveillance systems, prefabricated portable fencing system, compact x-ray surveillance system to screen baggage, walk-through metal detectors and hand-held detection devices for the purpose and use during the arrival of passenger vessels. By the end of the year, this equipment was utilized during passenger vessel operations.

A major challenge that continues to face the Port Authority is its aging equipment. The two main quayside gantry cranes have long outlived their industry standard life span of 20 years. Gantry 1 is 36 years old while Gantry 2 is 29 years old. PAG is in the process of securing a federal guaranteed loan with the US Department of Agriculture to acquire a new gantry crane at an estimated cost of about \$6 million. Management is also looking into the possibility of purchasing a pre-owned crane to supplement the current equipment. It is to the credit of the employees of the equipment maintenance division that the old equipment continues to function smoothly and service the Port's customers. Through their ingenuity and count-

less hours of manpower, the Port's maintenance division has managed to keep the equipment operational and has managed to maintain the integrity of the cranes, passing the yearly OSHA inspections.

Port Privatization

With the passage of PL 27-60, PAG took active measures to comply with the privatization law in spite of concerns with the legislation. In December 2003, former Senator Randy Cunliffe met with management and senior employees to discuss Bill 137. Senator Cunliffe was asked to address several issues before introduction on the legislative floor. Management and senior staff requested for the following; an economic impact study to determine the effects of privatization on Guam's economy and its people, a review of the procurement law to allow the Port to purchase needed parts and equipment in a timely manner, legislation that would prohibit island leaders from raiding the Port's coffers, and allow the Port to enter into a public-private partnership just for the maintenance of our cargo handling equipment and the purchase of new handling equipment. Nonetheless, the bill was introduced and passed into law without addressing any of these concerns or recommendations.

To start the privatization process off, Management issued an FRP for consulting services in developing the RFP and to assist the Port in the selection process. In August 2004, the contract with Mercator Transport Group was signed and work began on the final Port Privatization RFP which was issued on April 2005. Thirteen interested companies picked up

General Manager Joseph Mesa discusses the Port's privatization with several member's of the 28th Guam Legislature and Mayor's Council



Employees from Facility Maintenance complete the memorial honoring Jose D. Leon Guerrero.

Tuna is graded and packed for shipping to Japan.





Asuka passenger vessel at F3.



Visitors ready to tour Guam.

Tourist disembark from Asuka vessel.



a copy of the RFP which required proposals to be submitted by July 1, 2005. As of the deadline, only three proposals were submitted.

A five member selection committee comprised of two board members, the general manager, two senior staff employees and one alternate senior staff employee was formed to review and evaluate each proposal based on the requirements set forth on the RFP. Well aware that their decision would determine the future of the Port and the island of Guam, the evaluation committee exercised diligence and prudence in ranking the three offers.

The privatization RFP calls for a long term lease of F-4, F-5, F-6, all container yard & cargo handling facility, container yard & support structure, as well as the Port's cargo handling equipments. Employees assigned to the terminal operator will include those within the Terminal Division, Stevedoring Division, Transportation Division, and Equipment Maintenance Division. A portion of the Maintenance Manager's Office, Maintenance Control Section, and Procurement & Supply Division will also be assigned to the terminal operator.

An important element that management made certain to include on the RFP was the employees' protection rights under the private operator.

Employees seconded to the private terminal operator would retain their classified status with the Government of Guam, and their protection rights would still be governed under the Port's Personnel rules and Regulations. PAG employees will have the right of first refusal for employment with the Operator should they need to supplement their manpower.

To ensure that all employees were informed of the Port privatization, a series of briefings were conducted to educate all employees of the whole process. Power point presentations were conducted outlining details of how the issue of privatization came about, how this venture would affect jobs of Port employees, and how it would affect the island's economy. Attendees were given the opportunity to ask questions, express their concerns, and have their voices heard regarding the crucial issue. GM Joseph Mesa assured employees that before a contract is entered into, it will be brought before the employees for their approval.

With the ongoing challenge of maintaining our old aged gantry cranes and keeping productivity up, the Port continues to service its customers timely and efficiently. Working hand in hand with the board of directors, management has assured employees that the best interest of the Port Authority and the people of Guam will not be compromised.



Welders performing routine maintenance on gantry crane.



Container operations at F5.

Port Facilities and Equipment



Terminal Facilities

Draft Depth of Channel: 40 to 100 ft.
Draft Alongside Berth: 34-39 ft.
Length of Berths: F-3: 50 ft.
F-4 to F-6: 1975 ft.
Hotel: 600 ft.

Number of Berths: Six

Container: Foxtrot 4, 5, 6
Breakbulk: Foxtrot 3, 4, 5, 6, Hotel
Passenger: Foxtrot 3, 4, 5, 6, Hotel
Tanker: Foxtrot 1, Golf

Storage Facilities

86,000 sq. feet covered warehouse space
26.5 acres open storage yard

Loading/Unloading Equipment

Cranes and Capacity: 3 Shoreside Gantry Cranes - 30 to 40 tons
1 Stick Crane - 150 tons
2 Rubber Tired Gantry Cranes - 40 tons

Forklifts and Capacity: 3-ton - 12
5-ton - 16
10-ton - 5
7.5-ton Sideloaders - 5
40-ton Toplifters - 2

Yard Tractors: 26



**PORT AUTHORITY OF GUAM
(A Public Corporation)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2005 AND 2004

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Port Authority of Guam:

We have audited the accompanying statement of net assets of the Port Authority of Guam (the Authority), a component unit of the Government of Guam, as of September 30, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Port Authority of Guam as of September 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Member of
Deloitte Touche Tohmatsu

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2006, on our consideration of the Port Authority of Guam's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

January 31, 2006

**PORT AUTHORITY OF GUAM
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Management's Discussion and Analysis
September 30, 2005 and 2004

As management of the Port Authority of Guam (the Port), we offer readers of the Port's financial statements this narrative overview and analysis of the financial activities of the Port for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements and footnotes. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Introduction

The following discussion and analysis of the performance and activities of the Port provides an introduction and understanding of the financial statements of the Port for the fiscal year ended September 30, 2005. This management's discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes, which follow this section.

The Port Authority of Guam was created in 1975 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. The Public Law permits the Port to provide for the needs of ocean commerce, shipping, recreational and commercial boating and navigation of the Territory of Guam. The Port 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 commercial port and the Port's business affairs.

The Port operates the only commercial seaport in the Territory and, as the primary seaport in Micronesia, serves as a transshipment point for the entire Western Pacific region. It operates the largest U.S. deepwater port in the region and currently handles about 2 million tons of cargo a year. The Port owns 5 cargo-handling piers along with two fuel piers, three marinas and a harbor of refuge. The cost for operations and capital improvements are funded by and large from its own revenues.

The Port is organized into three operating divisions (Stevedoring, Terminal and Transportation) and two Maintenance divisions (Equipment Maintenance and Facility Maintenance). These divisions are assisted by twelve support divisions (Port Police, Harbor Master, Safety, Finance, Human Resources, Commercial, Procurement and Supply, Marketing, Planning, Information Technology and General Administration).

Financial Statements Overview

The Port's financial report includes this management's discussion and analysis, the basic financial statements, and the notes to the basic financial statements. The report includes the following three basic financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows.

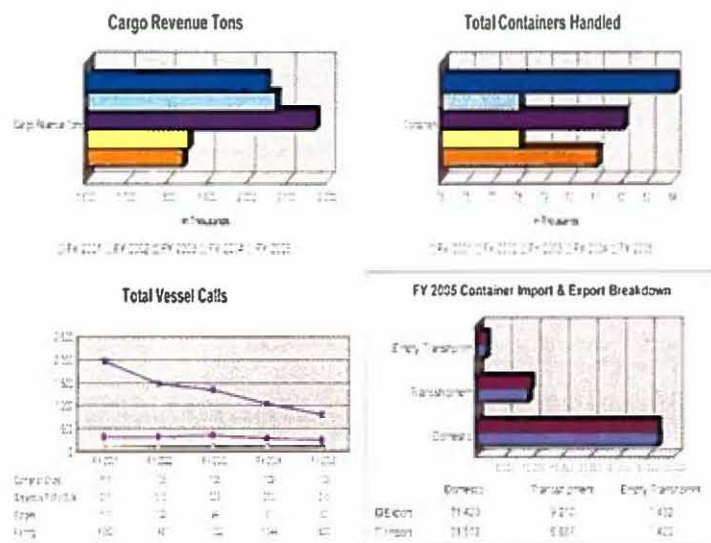
The Port, an enterprise fund, prepares the basic financial statements on an accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board. Revenues are recognized when earned, not when received, and expenses are recognized when incurred, not when paid. Capital assets are capitalized and depreciated, with the exception of land, over their useful lives.

**PORT AUTHORITY OF GUAM
(A Public Corporation)**

Management's Discussion and Analysis
September 30, 2005 and 2004

Historical Vessel and Cargo Statistics

The details on the Port's operations for the past five years are indicated in the following charts. For three consecutive years, the Port has handled 2 million revenue tons of cargo at its docks. The total revenue tons for fiscal year 2005 is 2,042 million. This is 1% lower than fiscal year 2004. The number of containers processed increased by 7% from 78,224 in fiscal year 2004 to 83,867 in fiscal year 2005. The total vessel calls decreased from 1,648 vessels in 2004 to 1,327 vessels in 2005 or a 19% decline. This decrease is primarily the result of the loss of more than half of the fishing vessel calls since 2001, due to relocation of fish stocks and increased vessel regulations in US ports.



Financial Highlights

The assets of the Port exceeded its liabilities at the close of fiscal year 2005 by \$46.8 million. Of this amount, \$42.7 million is invested in capital assets and \$4.0 million is unrestricted.

Due to the excess of revenues over expenses, the Port's net assets increased by \$489 thousand in 2005 compared to a \$1.9 million increase in 2004. This will be the third consecutive year wherein the Authority has recorded a positive increase in net assets. Prior to fiscal year 2003, the Port had been averaging a net loss of \$4.8 million in the past four fiscal years.

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Management's Discussion and Analysis
September 30, 2005 and 2004

2005 vs. 2004

The Port's over-all operating revenue decreased 1% to \$26.7 million during fiscal year 2005 compared to \$26.8 million in the prior fiscal year. Cargo throughput and wharfage charges increased by 1% and 2% respectively compared to fiscal year 2004. The following revenue source of Cargo Throughput charges showed growth in fiscal year 2005: Domestic grounded containers- 8%, Transshipment containers- 3%, Overstow containers- 29%, Container Stuffing and Devanning- 39% and Equipment Rental- 38%. Decreases in other operating revenue sources were from: Demurrage - 23%, Space Rental- 7% and Water Service Request- 13%.

Fiscal year 2005 operating expenses of \$26.0 million were 8% more than the previous fiscal year. Salary expenses increased in FY2005 due to the implementation of Public Law 27-106 which requires full restoration of salary increments owed to eligible employees of the government. Utility payments increased 33% in fiscal year 2005 due to increased rates from both Power and Water Authorities. Repairs of several water leaks in the port compound also contributed to the rise of the utility billings. As a result, the Port's operating income decreased to \$668 thousand for the fiscal year ended September 30, 2005 compared to operating earnings of \$2.6 million for fiscal year 2004. The Port's non-operating revenues and expenses increased by 35% in fiscal year 2005. The total retiree's supplemental annuities and medical, dental and life insurance increased by 39% from \$910 thousand in fiscal year 2004 to \$1.3 million in fiscal year 2005. The increase of the retirees supplemental annuities was due to the lifting of the sliding scale implemented in FY03 and FY04 budget law. The total change in net assets, after the inclusion of non operating revenues/expenses and receipts from federal grants, is \$489 thousand. Fiscal year 2005 change in net assets decreased by 74% compared to fiscal year 2004 net increase of \$1.9 million. At the close of fiscal year 2005, the Authority had net assets of \$46.8 million, an increase of 1.0% from the prior year net assets of \$46.3 million.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

	2005	2004	% Change
Operating Revenues	\$ 26,661,100	\$ 26,779,573	(1)%
Operating Expenses	25,992,638	24,128,753	8%
Operating Income	668,462	2,650,820	(75)%
Non Operating Revenues (expenses)	(1,036,287)	(768,316)	35%
(Loss) earnings before capital contributions	(367,825)	1,882,504	(120)%
Capital contributions			
Grants from the U.S. Government	856,441	-	-
Change in net assets	488,616	1,882,504	(74)%
Net assets, beginning of the year	46,284,146	44,401,642	4%
Net assets, end of the year	\$ 46,772,762	\$ 46,284,146	1%

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Management's Discussion and Analysis
September 30, 2005 and 2004

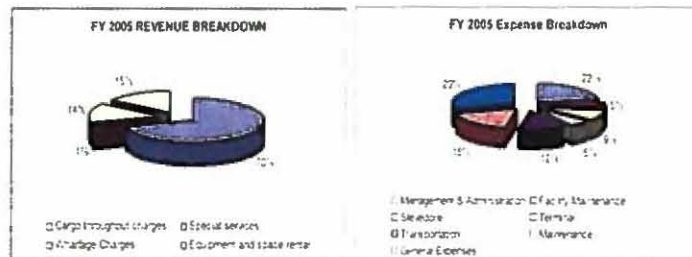
FINANCIAL POSITION SUMMARY

	2005	2004	% Change
ASSETS			
Current and other assets	\$ 20,572,538	\$ 18,720,589	10%
Capital assets	42,692,538	42,324,090	1%
Total assets	<u>\$ 63,265,076</u>	<u>\$ 61,044,678</u>	<u>4%</u>
LIABILITIES			
Current liabilities	\$ 11,489,119	\$ 11,377,905	2%
Other noncurrent liabilities	5,094,195	3,382,627	38%
Total liabilities	<u>16,462,314</u>	<u>14,760,532</u>	<u>10%</u>
NET ASSETS			
Invested in capital assets	42,692,538	42,324,090	1%
Unrestricted	4,080,224	3,960,056	3%
Total net assets	<u>46,772,762</u>	<u>46,284,146</u>	<u>1%</u>
	<u>\$ 63,265,076</u>	<u>\$ 61,044,678</u>	<u>4%</u>

Fund Financial Statement

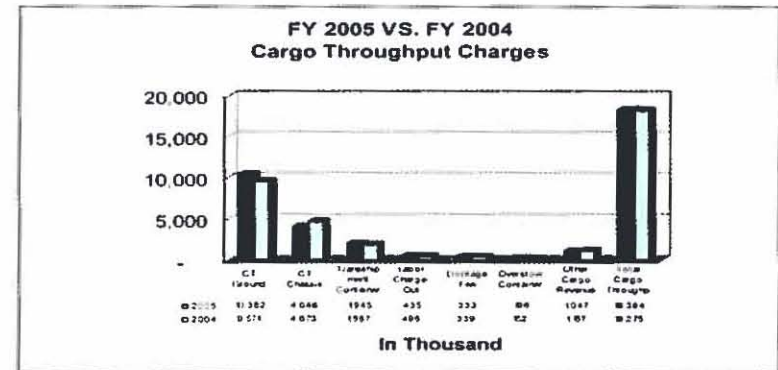
Net assets is a key indicator of an entity's financial position. The term "net assets" refers to the difference between assets and liabilities. At September 30, 2005, the Port's net assets were \$46.8 million, an increase of 1.0% from the prior year net assets of \$46.3 million. Fiscal year 2005 saw an increase of 10% in its current and other assets. The Port's net receivables went from \$3.3 million in fiscal year 2004 to \$2.8 million in fiscal year 2005 or a decrease of 16%. Capital assets increased from \$42.3 million in 2004 to \$42.7 million in 2005, a net increase of 1%.

The Port's current liabilities went up by 1% from \$11.4 million in 2004 to \$11.5 million in 2005. Due to the increase in capital acquisitions and construction activities, the current payables of the Port for fiscal year 2005 is more substantial.



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Management's Discussion and Analysis
September 30, 2005 and 2004



Capital Assets

At the end of fiscal 2005, the Port had almost \$43 million invested in a broad range of capital assets. This amount represents a net increase (including additions and deductions) of \$368 thousand over last year, as outlined in Table 3 (below).

	2005	2004	Total Percentage Change
Land	\$ 3,563,000	\$ 3,563,000	0.0%
Construction in progress	1,907,568	908,165	110.0%
Total Capital Assets not being depreciated	<u>5,470,568</u>	<u>4,471,165</u>	<u>22.4%</u>
Buildings	63,292,341	62,235,243	1.7%
Equipment	19,995,228	20,041,547	-0.2%
Total Capital Assets being depreciated	<u>83,287,569</u>	<u>82,276,790</u>	<u>1.2%</u>
Less: accumulated depreciation	<u>(46,065,599)</u>	<u>(44,423,865)</u>	<u>3.7%</u>
Total Capital Assets being depreciated, net	<u>37,221,970</u>	<u>37,852,925</u>	<u>-1.7%</u>
Total Capital Assets, net	<u>\$ 42,692,538</u>	<u>\$ 42,324,090</u>	<u>0.9%</u>

**PORT AUTHORITY OF GUAM
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Management's Discussion and Analysis
September 30, 2005 and 2004

This year's major capital acquisitions and construction activities are:

Container Yard Fencing and Lighting - \$337 thousand
Substation LC# 1 & 4 Electrical Upgrade - \$560 thousand
F1 Pier Main Wharf - \$664 thousand
Deep Draft Wharf- \$362 thousand
Security Screening Equipment- \$23 thousand
CMU wall (replace chain link fence) - \$54 thousand
Facility Earthquake Repairs- \$88 thousand
AS 400 I5 Server- \$174 thousand
Computers and printers - \$115 thousand
Gantry 1 Diesel Generator - \$23 thousand
ID Badging System- \$15 thousand
LC 1 & 4 Generator Sets - \$180 thousand
Diesel Engine Welding Machine- \$37 thousand
8 Pickup Trucks - \$122 thousand

Facts and Conditions affecting the Port's Operations

- Public Law 27-60 authorizes the board of directors to enter into a public private partnership lease agreement for the terminal operations and maintenance of equipment at the Jose D. Leon Guerrero Commercial Port. This process is still ongoing as of the close of the Fiscal Year. There were three companies that submitted their proposals: SSA Terminals (SSAT...A Matson and Carrix Collaboration), Portek International Limited and International Container Terminal Services, Inc. (ICTSI). The Port is currently negotiating with the company that was ranked highest by the evaluating committee.
- Gantry Crane Acquisition - The Port is currently applying for a loan to USDA, Rural Development Community Facility Loan for a new gantry crane fabrication and installation. The submission is now being reviewed by the USDA Regional Office, Hilo Hawaii before it is forwarded to the headquarters in Washington.
- Repairs for F-1 pier and Aesthetic/Spalling improvements for various Port facilities is currently on-going. Gantry rail repairs is scheduled to commence in the latter part of fiscal year 2006.

Contacting the Port's Financial Management

This financial report is designed to provide users with a general overview of the Port's finances. If you have questions about this report or need additional information, contact the Port Authority of Guam Controller's Office at 1025 Cabras Highway, Suite 201, Piti, Guam 96915. Information of interest may also be obtained on the Authority's website at

**PORT AUTHORITY OF GUAM
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Statements of Net Assets
September 30, 2005 and 2004

<u>ASSETS</u>	2005	2004
Current assets:		
Cash	\$ 15,502,530	\$ 11,153,043
Investment in time certificates of deposit	2,000,000	4,000,000
Accounts receivable, net of allowance for doubtful accounts of \$813,839 in 2005 and \$1,015,879 in 2004	2,803,196	3,339,078
Total current assets	20,305,726	18,492,121
Replacement parts inventories, net of allowance for obsolescence of \$116,630 in 2005 and \$155,976 in 2004	266,812	228,467
Property, plant and equipment, net	42,692,538	42,324,090
	<u>\$ 63,265,076</u>	<u>\$ 61,044,678</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable, trade	\$ 1,692,166	\$ 1,466,792
Security deposits and other payables	192,637	161,306
Accrued typhoon and earthquake damages	8,254,386	8,342,275
Accrued payroll and withholdings	581,582	611,532
Current portion of accrued annual leave	767,348	796,000
Total current liabilities	11,488,119	11,377,905
Accrued annual leave, less current portion	138,025	138,025
Accrued sick leave	415,103	-
Unfunded pension costs	4,451,067	3,244,602
Total liabilities	16,492,314	14,760,532
Commitments and contingencies		
Net assets:		
Invested in capital assets	42,692,538	42,324,090
Unrestricted	4,080,224	3,960,056
Total net assets	46,772,762	46,284,146
	<u>\$ 63,265,076</u>	<u>\$ 61,044,678</u>

See accompanying notes to financial statements.

PORT AUTHORITY OF GUAM
(A Public Corporation)

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2005 and 2004

	2005	2004
Operating revenues:		
Cargo throughput charges	\$ 18,384,098	\$ 18,274,627
Wharfage charges	3,617,240	3,560,633
Equipment and space rental	3,996,800	4,067,356
Special services	252,136	267,377
Other operating income	410,826	609,580
Total operating revenues	<u>26,661,100</u>	<u>26,779,573</u>
Operating expenses:		
Management and administration	5,904,468	5,655,729
Equipment maintenance	4,551,573	4,232,530
Transportation services	3,137,401	2,688,215
Insurance	2,479,728	2,579,290
Depreciation	2,440,866	2,574,298
Stevedoring services	2,305,738	2,005,790
Terminal services	1,407,680	1,335,037
Facility maintenance	1,311,882	1,092,653
General expenses	1,220,054	1,184,414
Utilities	1,040,855	780,797
Bad debts	192,393	-
Total operating expenses	<u>25,992,638</u>	<u>24,128,753</u>
Earnings from operations	<u>668,462</u>	<u>2,650,820</u>
Nonoperating revenues (expenses):		
Interest income	444,371	197,154
COLA/supplemental annuities	(1,268,606)	(909,732)
Other expense	(1,696)	(38,953)
Loss from disposal of property, plant and equipment	(69,819)	(9,550)
Estimated typhoon loss	(140,537)	(7,235)
Total nonoperating expenses, net	<u>(1,036,287)</u>	<u>(768,316)</u>
(Loss) earnings before capital contributions	<u>(367,825)</u>	<u>1,882,504</u>
Capital contributions:		
Grants from the U.S. Government	856,441	-
Increase in net assets	<u>488,616</u>	<u>1,882,504</u>
Net assets at beginning of year	<u>46,284,146</u>	<u>44,401,642</u>
Net assets at end of year	<u>\$ 46,772,762</u>	<u>\$ 46,284,146</u>

See accompanying notes to financial statements.

PORT AUTHORITY OF GUAM
(A Public Corporation)

Statements of Cash Flows
Years Ended September 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Cash received from customers	\$ 27,178,856	\$ 27,204,443
Cash payments to suppliers for goods and services	(7,340,237)	(9,280,512)
Cash payments to employees for services and benefits	(15,596,007)	(14,214,857)
Net cash provided by operating activities	<u>4,242,612</u>	<u>3,709,074</u>
Cash flows from investing activities:		
Interest received	444,371	197,154
Decrease (increase) in investment in time certificates of deposit	2,000,000	(4,000,000)
Net cash provided by (used in) investing activities	<u>2,444,371</u>	<u>(3,802,846)</u>
Cash flows from capital and related financing activities:		
Capital grants received	494,551	-
Insurance and FEMA claims received	187,622	1,626,176
Earthquake and typhoon costs	(140,537)	(202,875)
Purchase of property, plant and equipment	(2,879,132)	(963,371)
Net cash (used in) provided by capital and related financing activities	<u>(2,337,496)</u>	<u>459,930</u>
Net increase in cash	4,349,487	366,158
Cash at beginning of year	<u>11,153,043</u>	<u>10,786,885</u>
Cash at end of year	<u>\$ 15,502,530</u>	<u>\$ 11,153,043</u>
Reconciliation of earnings from operations to net cash provided by operating activities:		
Earnings from operations	\$ 668,462	\$ 2,650,820
Adjustments to reconcile earnings from operations to net cash provided by operating activities:		
Depreciation	2,440,866	2,574,298
Payments for COLA/supplemental annuities	(1,268,606)	(1,945,598)
Bad debts	192,393	-
(Increase) decrease in assets:		
Receivables	517,756	424,870
Replacement parts inventories	(38,345)	(34,793)
Increase (decrease) in liabilities:		
Accounts payable, trade	223,678	(571,498)
Security deposits and other payables	31,331	(153,811)
Accrued payroll and withholdings	(29,950)	181,525
Accrued annual leave	(28,652)	(342,575)
Accrued typhoon damages	(87,889)	-
Accrued sick leave	415,103	-
Unfunded pension costs	1,206,465	925,836
Net cash provided by operating activities	<u>\$ 4,242,612</u>	<u>\$ 3,709,074</u>

See accompanying notes to financial statements.

PORT AUTHORITY OF GUAM
(A Public Corporation)

Notes to Financial Statements
September 30, 2005 and 2004

(1) Organization and Summary of Significant Accounting Policies

Organization

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. In 1988, the Guam Economic Development Authority assigned the management of the thirty-two acre Cabras Industrial Park to the Authority.

Summary of Significant Accounting Policies

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 of America 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. GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting" requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. The Authority has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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. Capital, grants, financing or investing related transactions are reported as non-operating revenues. Revenue is recognized on the accrual basis and is recorded upon billing when services have been completed. All expenses related to operating the Authority are reported as operating expenses. COLA/supplemental annuities, and earthquake and typhoon damages are reported as non-operating expenses.

PORT AUTHORITY OF GUAM
(A Public Corporation)

Notes to Financial Statements
September 30, 2005 and 2004

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

Summary of Significant Accounting Policies, Continued

Net Assets

Net assets represent the residual interest in the Authority's assets after liabilities are deducted and consist of the following three sections:

- Invested in capital assets, net of related debt:
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 assets subject to externally imposed stipulations that require the Authority to maintain them permanently.
Expendable – Net assets 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.
- Unrestricted:
Net assets that are not subject to externally imposed stipulations. Unrestricted net assets 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.

The Authority does not have restricted net assets at September 30, 2005 and 2004.

Cash

For purposes of the statements of net assets and of cash flows, cash is defined as cash on hand and deposits in banks and time certificates of deposit with initial maturities of three months or less. Time certificates of deposits with initial maturities of more than three months are separately classified. The Authority has both the intent and the ability to hold its time certificates of deposit, carried at cost which approximates fair value, to maturity.

The Authority has approximately \$400,006 and \$300,006 of cash and time deposits insured through the Federal Deposit Insurance Corporation and approximately \$17,102,524 and \$15,273,873 of uninsured and uncollateralized deposits as of September 30, 2005 and 2004, respectively. Deposits in banks are required by Section 114 of 5 GCA 21, *Investments and Deposits*, to be secured by qualified collateral in the amount of 110% or more of the deposit balance. However, the Government of Guam and its component units do not enforce the requirement on a consistent basis.

Trade Accounts Receivable

Substantially all of the Authority's trade receivables as of September 30, 2005 and 2004, are due from companies located or operating in Guam. The allowance for uncollectible 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.

**PORT AUTHORITY OF GUAM
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Notes to Financial Statements
September 30, 2005 and 2004

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

Summary of Significant Accounting Policies, Continued

Property, Plant and Equipment

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 plant assets). Current policy is to capitalize items over \$1,000.

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, items which often are not used within one year are kept in inventory. Thus, replacement parts inventories are classified as non-current assets.

Annual Leave

Compensated absences are accrued and reported as a liability in the period earned. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. Accumulation of such annual leave credits was limited to 480 hours at fiscal year end. All such annual leave credit is convertible to pay upon termination of employment. During the year ended September 30, 2003, Public Law 27-05 was implemented reducing the maximum accumulation amount of annual leave to 320 hours. Any annual leave earned in excess of 320 hours but not to exceed 100 hours as of February 28, 2003 shall be credited to the employee's sick leave. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003 may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. At the time of retirement or termination of service, that portion permitted to be credited to sick leave shall be so credited and the remainder of the excess leave, if any, shall be lost. Public Law 27-106 does not allow lump sum compensation or retirement credit for annual leave in excess of three hundred twenty (320) hours.

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. The Authority has accrued an estimated liability of \$415,103 at September 30, 2005 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.

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. The Authority also has commercial property insurance coverage for 100% of the total net book value of property, plant and equipment, subject to deductibles.

**PORT AUTHORITY OF GUAM
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Notes to Financial Statements
September 30, 2005 and 2004

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

Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

The Authority implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3) and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the year ended September 30, 2005. Implementation of these Statements did not have a material effect on the Authority's financial statements.

The Authority will be implementing GASB Statement No. 47, *Accounting for Termination Benefits* for the year ended September 30, 2006. The Authority has not evaluated the financial statement impact of GASB No. 47.

Reclassifications

Certain amounts in the 2004 financial statements have been reclassified to correspond with the 2005 presentation.

(2) Property, Plant and Equipment

A schedule of the Authority's property, plant and equipment as of September 30, 2005 and 2004 is as follows:

	Beginning Balance October 1, 2004	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2005
<u>Depreciable assets:</u>				
Buildings	\$ 62,235,243	\$ 1,061,937	\$ (4,839)	\$ 63,292,341
Equipment	20,041,547	817,793	(864,112)	19,995,228
	82,276,790	1,879,730	(868,951)	83,287,569
Less accumulated depreciation	(44,423,865)	(2,440,866)	799,132	(46,065,599)
	37,852,925	(561,136)	(69,819)	37,221,970
<u>Non-depreciable assets:</u>				
Land	3,563,000	-	-	3,563,000
Construction work in progress	908,165	2,179,781	(1,180,378)	1,907,568
	4,471,165	2,179,781	(1,180,378)	5,470,568
Total	\$ 42,324,090	\$ 1,618,645	\$ (1,250,197)	\$ 42,692,538

**PORT AUTHORITY OF GUAM
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Notes to Financial Statements
September 30, 2005 and 2004

(2) Property, Plant and Equipment, Continued

	Beginning Balance October 1, 2003	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2004
Depreciable assets:				
Buildings	\$ 62,042,006	\$ 193,237	\$ -	\$ 62,235,243
Equipment	19,797,296	293,378	(49,127)	20,041,547
	81,839,302	486,615	(49,127)	82,276,790
Less accumulated depreciation	(41,953,895)	(2,512,242)	42,272	(44,423,865)
	39,885,407	(2,025,627)	(6,855)	37,852,925
Non-depreciable assets:				
Land	3,563,000	-	-	3,563,000
Construction work in progress	486,610	421,555	-	908,165
	4,049,610	421,555	-	4,471,165
Total	\$ 43,935,017	\$ (1,604,072)	\$ (6,855)	\$ 42,324,090

(3) Earthquake and Typhoon Damages

On October 13, 2001, an earthquake with a magnitude of 7.0 on the Richter scale struck Guam. Damage to the Authority's property, plant and equipment as a direct result of the earthquake, totaled approximately \$8 million, which has been received from insurance and recorded as accrued earthquake costs in the accompanying financial statements. Related costs totaling \$751,575 were incurred during the year ended September 30, 2005.

On July 5, 2002, Typhoon Chata'an struck Guam with destructive winds in excess of 110 miles per hour. Most recent estimates of the damage to the Authority's property, plant and equipment, as a direct result of the typhoon, approximate \$2,925,000.

On December 8, 2002, Supertyphoon Pongsona struck Guam with destructive winds of approximately 180 miles per hour. Estimates of the damage to the Authority's property, plant and equipment, as a direct result of the typhoon, approximate \$2,850,000. Under the Authority's insurance coverage for this disaster, the Authority is responsible for the first \$5 million in damages, \$2.5 million deductible and \$2.5 million of required self-insurance. While the Authority is unable to obtain an insurance recovery for physical damage to its property, a claim for business interruption has been accepted. Authority management intends to seek reimbursement from federal sources for a portion of the deductible and self-insurance amounts. The Authority received approximately \$188,000 and \$492,000 from FEMA during the years ended September 30, 2005 and 2004, respectively.

Recorded earthquake and typhoon damages and related recoveries are all estimated amounts. Final damages and insurance and FEMA recoveries may be materially different than estimated.

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Notes to Financial Statements
September 30, 2005 and 2004

(4) Employees' Retirement Plan

Employees of the Authority hired before September 30, 1995 are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the Defined Contribution Retirement System (DCRS). Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who were members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the Defined Contribution Retirement System. Otherwise they remained under the old plan.

The Defined Benefit Plan and the DCRS are administered by the Government of Guam Retirement Fund, to which the Authority contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

As a result of actuarial valuations performed as of September 30, 2003, 2002 and 2001, contribution rates for the years ended September 30, 2005 and 2004 and 2003, respectively, have been determined as follows:

	2005	2004	2003
Normal costs (% of DB Plan payroll)	18.30%	17.66%	16.42%
Unfunded liability costs (% of total payroll)	19.93%	16.23%	22.94%
	38.23%	33.89%	39.36%
Employee contributions (DB Plan employees)	9.50%	9.50%	9.50%
	28.73%	24.39%	29.86%
Agency specific adjustments	- %	- %	1.62%
Government contribution as a % of DB Plan payroll	28.73%	24.39%	31.48%
Government contribution as a % of total payroll	24.89%	20.81%	N/A

Statutory contribution rates for employer and employee contributions were 20.81% and 9.5%, respectively, of qualifying payroll for both of the years ended September 30, 2004 and 2003.

The plan utilized the actuarial cost method termed "entry age normal". Significant actuarial assumptions are as follows:

	2003 Actuarial Valuation	2002 Actuarial Valuation
Interest rate and rate of return	7.0%	7.5%
Payroll increases	3.5%	4.5%
Salary increases	4.0% - 8.5%	4.0% - 8.5%

The actuarial valuation performed as of September 30, 2003, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor. If the actuarial valuation were performed for the Authority as a separate sponsor, the accrued unfunded liability at September 30, 2005 and 2004 may be materially different than that recorded in the accompanying financial statements.

PORT AUTHORITY OF GUAM
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Notes to Financial Statements
September 30, 2005 and 2004

(4) Employees' Retirement Plan, Continued

Contributions into the DCRS 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 annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2005 and 2004, are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Retirement expense for the years ended September 30, 2005, 2004 and 2003 is as follows:

	2005	2004	2003
Cash contributions and accruals	\$ 2,149,300	\$ 2,308,708	\$ 2,658,122
Increase in accrued unfunded liability to the retirement fund	1,206,465	925,836	543,949
	<u>\$ 3,355,765</u>	<u>\$ 3,234,544</u>	<u>\$ 3,202,071</u>

For additional information on the Government of Guam Retirement Fund, inquiries may be addressed to the Director of the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910.

(5) Long Term Liabilities

Long term liabilities of the Authority consist of annual leave and sick leave payable to its employees and its liability to the retirement fund. Changes in long-term liabilities for the years ended September 30, 2005 and 2004 are as follows:

	Outstanding at September 30, 2004	Increases	Decreases	Outstanding at September 30, 2005	Current	Noncurrent
Accrued annual leave	\$ 934,025	\$ 655,783	\$ 684,435	\$ 905,373	\$ 767,348	\$ 138,025
Accrued unfunded liability to retirement fund	3,244,602	1,206,465	-	4,451,067	-	4,451,067
Accrued sick leave	-	415,103	-	415,103	-	415,103
	<u>\$ 4,178,627</u>	<u>\$ 2,277,351</u>	<u>\$ 684,435</u>	<u>\$ 5,771,543</u>	<u>\$ 767,348</u>	<u>\$ 5,004,195</u>
	Outstanding at September 30, 2003	Increases	Decreases	Outstanding at September 30, 2004	Current	Noncurrent
Accrued annual leave	\$ 1,276,600	\$ -	\$ (342,575)	\$ 934,025	\$ 796,000	\$ 138,025
Accrued unfunded liability to retirement fund	2,218,766	925,836	-	3,244,602	-	3,244,602
	<u>\$ 3,495,366</u>	<u>\$ 925,836</u>	<u>\$ (342,575)</u>	<u>\$ 4,178,627</u>	<u>\$ 796,000</u>	<u>\$ 3,382,627</u>

PORT AUTHORITY OF GUAM
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Notes to Financial Statements
September 30, 2005 and 2004

(6) Contingencies

Lawsuits and Claims

As of September 30, 2005 and 2004, the Authority has been named as defendant in several pending lawsuits and claims. The amount of potential loss as a direct result of these lawsuits and claims cannot presently be determined. As such, no provision has been recorded in the accompanying financial statements for these contingencies. The Authority intends to vigorously defend itself against all legal actions.

Government of Guam General Fund

The Guam Legislature has enacted legislation that requires certain component units, including the Authority, to transfer certain amounts to the Government of Guam general fund on an annual basis. During the year ended September 30, 1994, the Authority transferred \$500,000 to the General Fund pursuant to such legislation. In addition, during the year ended September 30, 1997, the Authority transferred \$3,500,000 to the Government of Guam Autonomous Agency Infrastructure Collection Fund. The Governor of Guam and the board of directors, for the years ended September 30, 1987 through 1993, 1995, 1996 and 1998 through 2005, have not determined the Authority's allocated portions of these transfers. Accordingly, no liability for this contingency has been recorded in the accompanying financial statements.

(7) Major Customers

The Authority has five major shipping line customers that account for 77.4% and 79.7% of total operating revenues for the years ended September 30, 2005 and 2004, 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, in cooperation with the Guam Economic Development and Commerce Authority (GEDCA), leases space to tenants under noncancelable operating leases, with options to renew, providing for future minimum rentals. The future minimum rental payments due from tenants under noncancelable operating leases in effect at September 30, 2005, are as follows:

Year Ending September 30,	Authority Share	GEDCA Share	Total
2006	\$ 351,650	\$ 183,717	\$ 535,367
2007	311,293	162,633	473,926
2008	461,637	-	461,637
2009	461,637	-	461,637
2010	348,072	-	348,072
2011	158,432	-	158,432
	<u>\$ 2,092,721</u>	<u>\$ 346,350</u>	<u>\$ 2,439,071</u>

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 is \$3,996,800 and \$4,067,356, respectively, for the years ended September 30, 2005 and 2004.

**PORT AUTHORITY OF GUAM
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Notes to Financial Statements
September 30, 2005 and 2004

(9) Accrued Supplemental/COLA Annuities

As required by Public Law 27-106, the Authority must pay to the Government of Guam Retirement Fund certain supplemental benefits paid to retirees for the years ended September 30, 2005 and 2004. The supplemental benefits derive from an annual appropriation by the Guam Legislature and do not relate to covered plan benefits.

(10) Related Party Balances

At September 30, 2005, the Authority has time certificates of deposit of \$5 million with a bank in which the Board Chairman holds an executive position. The Authority has time certificates of deposit with two other banks.

(11) Subsequent Event

The Port has plans to privatize their terminal operations and equipment maintenance. The privatization is expected to be finalized during the year ended September 30, 2006.

**PORT AUTHORITY OF GUAM
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Schedule 1
Schedule of Expenses
Years Ended September 30, 2005 and 2004

	2005	2004
Management and administration:		
Management:		
Salaries and wages - regular	\$ 170,081	\$ 176,665
Salaries and wages - other	62	-
Benefits - Government contribution	43,753	39,931
Accrued sick leave	21,934	-
Fringe benefits	657	5,085
Miscellaneous	1,957	1,397
Total Management	238,444	223,078
Administration:		
Salaries and wages - regular	3,532,122	3,384,453
Salaries and wages - overtime	183,760	134,932
Salaries and wages - other	44,303	41,524
Benefits - Government contribution	1,198,300	1,106,923
Accrued sick leave	160,876	-
Fringe benefits	192,298	364,742
Contractual	111,778	173,665
Travel and training	3,322	57,311
Repairs and maintenance	116,759	65,634
Office supplies	52,126	66,516
Miscellaneous	70,380	36,951
Total Administration	5,666,024	5,432,651
Total Management and Administration	\$ 5,904,468	\$ 5,655,729
Equipment Maintenance:		
Salaries and wages - regular	\$ 1,717,396	\$ 1,345,382
Salaries and wages - overtime	263,116	150,985
Salaries and wages - other	87,320	76,912
Benefits - Government contribution	490,481	422,702
Accrued sick leave	59,070	-
Fringe benefits	95,157	145,683
Parts, materials and supplies	436,010	605,549
Repairs and maintenance	1,392,055	1,479,592
Miscellaneous	10,968	5,725
Total Equipment Maintenance	\$ 4,551,573	\$ 4,232,530

See accompanying independent auditors' report.

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Schedule 1, Continued
Schedule of Expenses, Continued
Years Ended September 30, 2005 and 2004

	2005	2004
Transportation Services:		
Salaries and wages - regular	\$ 1,706,491	\$ 1,440,922
Salaries and wages - overtime	162,968	161,999
Salaries and wages - other	98,329	89,020
Benefits - Government contribution	679,273	609,442
Accrued sick leave	45,773	-
Fringe benefits	112,370	176,953
Gas, oil and diesel	330,739	208,027
Miscellaneous	1,458	1,852
Total Transportation Services	\$ 3,137,401	\$ 2,688,215
Stevedoring Services:		
Salaries and wages - regular	\$ 1,349,524	\$ 1,089,859
Salaries and wages - overtime	202,316	181,335
Salaries and wages - other	68,225	66,472
Benefits - Government contribution	488,970	423,865
Accrued sick leave	63,043	-
Fringe benefits	106,377	234,189
Miscellaneous	27,283	10,070
Total Stevedoring Services	\$ 2,305,738	\$ 2,005,790
Facility Maintenance:		
Salaries and wages - regular	\$ 750,042	\$ 554,207
Salaries and wages - overtime	22,355	11,999
Salaries and wages - other	7,874	6,419
Benefits - Government contribution	287,573	292,017
Accrued sick leave	28,312	-
Fringe benefits	47,515	132,460
Parts, materials and supplies	149,554	91,551
Miscellaneous	18,657	4,000
Total Facility Maintenance	\$ 1,311,882	\$ 1,092,653
Terminal Services:		
Salaries and wages - regular	\$ 919,617	\$ 808,783
Salaries and wages - overtime	36,714	59,375
Salaries and wages - other	18,134	18,256
Benefits - Government contribution	340,565	339,665
Accrued sick leave	36,095	-
Fringe benefits	51,223	101,265
Miscellaneous	5,332	7,693
Total Terminal Services	\$ 1,407,680	\$ 1,335,037

See accompanying independent auditors' report.

PORT AUTHORITY OF GUAM
(A Public Corporation)

Schedule 1, Continued
Schedule of Expenses, Continued
Years Ended September 30, 2005 and 2004

	2005	2004
General Expenses:		
Insurance consultants	\$ 249,996	\$ 374,163
Workmen's compensation injury allowance	238,803	231,540
GEDA land lease fee	200,000	200,000
Professional services	164,845	-
Shell manager's fee	118,674	87,831
Waste removal	55,085	46,966
Repair and maintenance	48,896	20,686
Agency fee	32,555	33,262
Audit and consulting fees	27,000	41,000
Claims and damages	15,073	10,020
Port incentive award	13,527	4,239
Inventory loss	3,275	5,186
Legal counsel	-	66,133
Management discount	-	31,914
Miscellaneous	52,325	31,474
Total General Expenses	\$ 1,220,054	\$ 1,184,414
Employees at end of year	309	331

See accompanying independent auditors' report.



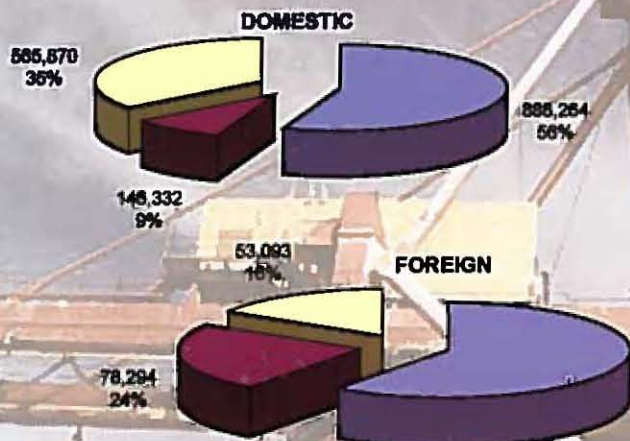
TOTAL TONNAGE FY 1984 - FY2005

VESSEL CALLS FY 2000 - FY 2005

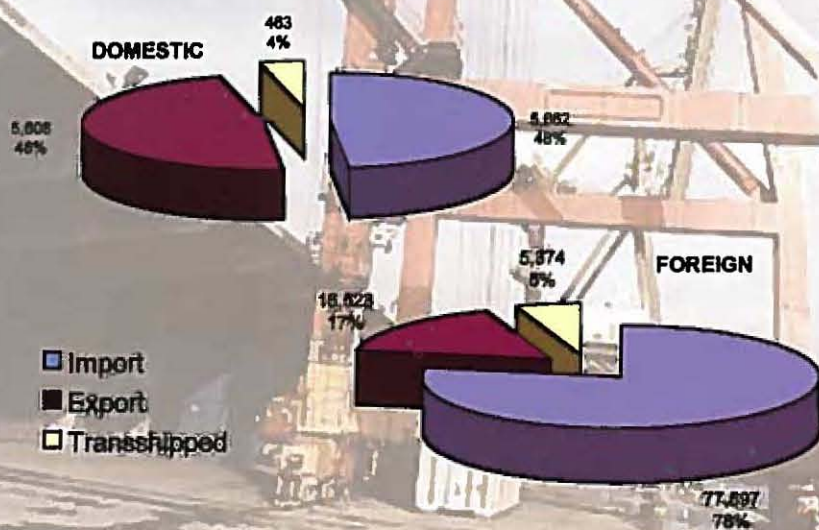
	2000	2001	2002	2003	2004	2005
Tugs & Barges	113	113	101	97	97	60
Training Vessels	10	7	5	2	0	0
Tankers	66	106	91	112	93	73
Research Vessels	10	29	14	24	14	20
Passenger Vessels	10	18	8	13	14	9
Fishing Vessels	1,907	1,960	1,441	1,321	1,047	800
Cement Carriers	13	12	10	7	1	13
Container Ships	114	107	105	104	109	103
Breakbulk / RO-RO	216	217	200	220	247	159

FISCAL YEAR 2005 REVENUE TONNAGE DISTRIBUTION BY CLASSIFICATION

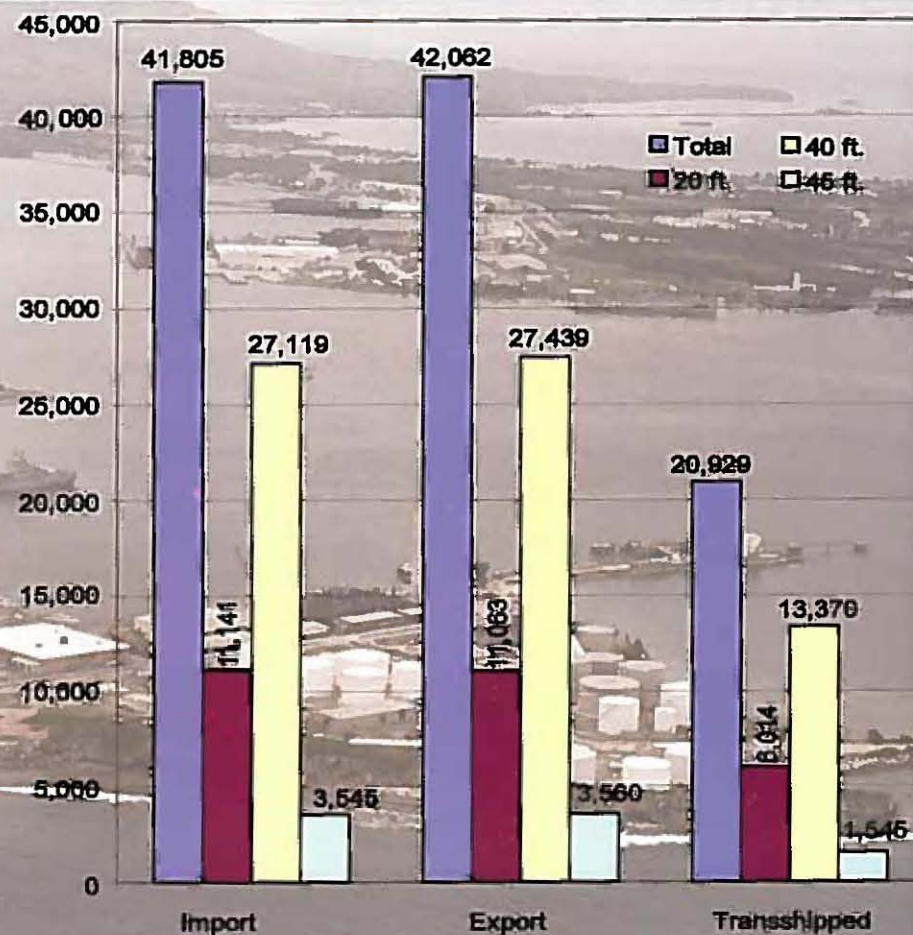
Containerized Cargo Tons



Breakbulk Cargo Tons



FISCAL YEAR 2005 CONTAINER COUNT



Management Directory

Joseph F. Mesa, General Manager

Ext 302, 303

jfm@portofguam.com

Paul M. Shitaku, Deputy General Manager

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Frank Santos

Harbor Master

Ext. 332

fgsantosportofguam.com

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Personnel Services Admin

Ext. 308

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Simeon Delos Santos

Engineer Supervisor

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Francisco C. Roberto

Safety Administrator

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Stevedoring Superintendent

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Bldg Maintenance Supt.

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Financial Affairs Controller

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Terminal Superintendent

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Port Police Chief

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Marketing Administrator

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Glenn B. Nelson

PIC Commercial/Property Dev.

Ext. 310

gbnelson@portofguam.com

Celebrating 30 Years as Guam's Lifeline





6. Riding the Liberation Day float. 7. Family fun at the Labor Day picnic. 8. "We wish you a Merry Christmas, we wish you a Merry Christmas....." 9. Employees practice the tradition of man-ningi Nino. 10. "Happy Halloween" from Admin employees. 11. GM and DGM with GPSS/AHRD summer trainees enjoying a farewell luncheon. 12. "We did it, the float is finished." 13. Having a good time at PAGGMA's Christmas Party. 14. Christmas caroling at GM Joseph Mesa's office. 15. PAGGMA's float takes first place under the nonprofit category in the 2005 Liberation Day Parade.



Harbor Master's Directory

SHIPPING AGENCIES

AMBYTH SHIPPING & TRADING

1026 Cabras Highway, Ste 205
Piti, Guam 96925
President: Alfred K.Y. Lam
Vice President: Greg David
Tel: (671) 477-7250/8200
Fax: (671) 472-1264
Email: corp@ambyth.guam.net

HORIZON LINES

P.O. Box 8897, Tamuning, Guam
General Manager: Mar Labrador
1010 Cabras Highway
Piti, Guam 96925
Tel: (671) 475-8100
Fax: (671) 475-8171
Website: www.horizonline.com

CTSI

P.O. Box 6067
Tamuning, Guam 96931
Vice President: George Chui
Tel: (671) 646-2853/54
Fax: (671) 646-2855
Website: www.ctsi-logistics.com

INCHCAPE SHIPPING SERVICES

1026 Cabras Highway Suite 116
Piti, Guam 96925
General Manager: Ernesto Siatong
Tel: (671) 477-5921-3
Fax: (671) 477-5924
Telex: (721) 6133 AK SHIPGUAM

MARIANAS STEAMSHIP AGENCIES

MATSON NAVIGATION

1026 Cabras Highway, Ste 116
Piti, Guam 96925
General Manager: Tom Ahillen
Tel: (671) 475-5961
Fax: (671) 477-5965
Website: www.matson.com

SEABRIDGE MICRONESIAN INC.

1026 Cabras Highway, Ste 114
Piti, Guam 96925
General Manager: Paul L. Blas
Tel: (671) 477-7345/1818
Fax: (671) 477-6206
Email: plblas@ite.net

INTERBAY CIRCLE MARINE/ INTERNATIONAL BRIDGE

P.O. Box 21149 GMF 96921
Vice President: Robert Toelkes
Tel: (671) 653-4026
Fax: (671) 659-4032

PILOT and TUG BOAT SERVICES

CABRAS MARINE CORPORATION

1026 Cabras Highway, Ste 114
Piti, Guam 96925
General Manager: Cpt. Edgar Tabinigay
Tel: (671) 477-7345/1818/472-1723
Fax: (671) 477-6206
Website: www.cabrasmarine.com

CABRAS ISLAND PILOT

P.O. Box 1241, Agana, Guam
Pilot: James Smith
Tel: (671) 477-8646

GUAM YTK CORPORATION

P.O. Box 24134, GMF, Guam 96921
Manager: Yoshie Kamiyama
Tel: (671) 649-6961/7162
Fax: (671) 477-7961

KOYOO PACIFIC FISHERIES

P.O. Box 8081,
Tamuning, Guam 96931
Manager: Jacob Dou
Tel: (671) 477-3072/73
Fax: (671) 477-3122

PACIFIC RIM ICE & FISH PACKING SERVICES, INC.

P.O. Box 6067
Tamuning, Guam 96931
General Manager: Jimmy Sy
Tel: (671) 477-3173

FUNG LI FISHERIES

1028 Cabras Highway Ste. 110
Piti, Guam 96925
Manager: Irene Hung
Tel: (671) 475-7502/4
Fax: (671) 472-4247

ISLA MARITIME AGENCY

P.O. Box 9999,
Tamuning, Guam 96931
Manager: Gabriel Ko
Tel: (671) 477-6046

KOUKEI PACIFIC CORP.

P.O. Box 9190
Tamuning, Guam 96931
General Manager: Steve Chiu
Tel: (671) 411-8979
Fax: (671) 477-3891

HARBOR ACTIVITIES

AQUA WORLD

P.O. Box BQ, Agana, Guam 96932
President: Akira Baba
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Fax: (671) 649-0121
Email: baba@guamcell.net

AMERICAN BUREAU OF SHIP

1026 Cabras Highway Suite 223B
Piti, Guam 96925
Senior Surveyor: William McKay
Tel: (671) 477-7490
Fax: (671) 472-6775

ATLANTIS GUAM

319 Qua Wrold Marine Dr.
Piti, Guam 96925
President: Hideharu Baba
Tel: (671) 477-4166
Fax: (671) 477-4171

CHARLES MARINE SPORTS CLUB

P.O. Box 21094
GMF, Barrigada, GU 96921
President: Sung Il Kim
Tel: (671) 688-2006
Fax: (671) 647-2019

M.A.Y. GUAM

P.O. Box 7801
Agat, Guam 96928
Manager: Ronald J. Yasuhiro
Tel: (671) 565-1130

DIVE CITY ACADEMY

P.O. Box 2796, Hagatna, Guam 96932
President: Hojin Song

Harbor Master's Directory

GUAM DOLPHINS MARINE

P.O. Box 4002
Hagatna, Guam 96932
President: Jimmy Lee
Tel: (671) 482-0333

MICRONESIAN DREAM CO. INC.

P.O. Box 24468, GMF, Guam 96921
Manager: Hiroshi Takauwa

HARBOR OF REFUGE

1026 Cabras Highway
Piti, Guam 96925
Manager: Charlene Naidas
Tel: (671) 477-2033

HANSEN CEMENT

P.O. Box K, Agana, Guam 96932
General Manager: Derek Sadler
Tel: (671) 477-1530
Fax: (671) 477-1531

KLOPPENBURG NAUTILUS

P.O. Box 6098
Tamuning, Guam 96931
General Mgr: Tom Kloppenberg
Tel: (671) 649-1941

SKOOCUMCHUCK CHARTERS, INC.

P.O. Box 4947, Hagatna, Guam 96932
Manager: Roy Brown
Tel: (671) 688-0100

LIQUID BULK TERMINAL

MOBIL OIL GUAM, INC

P.O. Box 6098
Tamuning, Guam 96931
Operations Manager: Noel Enriquez
Tel: (671) 479-3200J23
Fax: (671) 649-8870
Telex: (721) 6123

SHELL GUAM, INC

120 Father Duenas Avenue
Capital Plaza, Ste 102

Agana, Guam 96910

Operations Manager: Doug Dean
F1 Doc Tel: (671) 477-9489
Terminal Tel: (671) 565-2300

SOUTH PACIFIC PETROLEUM CORP.

816 Marine Corp. Drive
Eva Bldg, 2nd Floor
Tamuning, Guam 96913
Operations Manager: Mike Diaz
Tel: (671) 472-8871-3
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RETAIL

D'SUNRISER

228 Lemai Street, Latte Plantation
Mangilao, Guam 96923
Owner: Dominga S. Lusung
Tel: (671) 477-6133

SUNBAY dba JAN Z'S

P.O. Box 8162
Agat, Guam 96928
Manager: Mark Brandlin
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GOVERNMENT AGENCIES

Local

CIVIL DEFENSE

P.O. Box 2877, Agana, Guam 96932
Tel: (671) 477-9841/2
Fax: (671) 477-3727

CUSTOMS & QUARANTINE

1026 Cabras Highway, Ste 106
Piti, Guam 96925
Port Tel: (671) 472-8426/6062

DEPARTMENT OF PUBLIC HEALTH & SOCIAL SERVICES

192 Dairy Road
Tel: (671) 475-6296/7
Fax: (671) 477-0997

M7, GUAM HARBOR POLICE

Boater's Registration Office
Agana, Guam 96910
Tel: (671) 472-6363

GUAM VISITORS BUREAU

P.O. Box 3520
Hagatna, Guam 96932
Tel: (671) 646-5278/9
Fax: (671) 646-8861

Federal

U.S. ARMY CORPS OF ENGINEERS

Pacific News Bldg, Ste 905
Agana, Guam 96910
Tel: (671) 472-8091, 334-5203
Fax: (671) 344-6181

COMMANDER NAVAL FORCE MARI- ANAS

PSC 489, Box 7
FPO AP 965361070
Tel: (671) 349-5200
Fax: (671) 344-5145

U.S. COAST GUARD

Marine Safety Office
PSC 455 P.O. Box 176
FPO AP 96540-1056
Captain of the Port: Capt. Dale Rausch
Tel: (671) 339-2001, ext. 4
Fax: (671) 339-2005

U.S. IMMIGRATION OFFICE

First Hawaiian Bank Bldg.,
Ste. 401
400 Rte. 8, Maite, Guam, 96910
Tel: (671) 472-7279
Fax: (671) 472-72278

TRUCKERS

V. ANGOCO'S TRUCKING

P.O. Box 7078, Agat, GU 96915
Manger: Vicente Angoco
Tel: (671) 565-2520/2395
Fax: (671) 565-3423

HORIZON LINES

P.O. Box 8897
Tamuning, GU 96931
Manager: Ray Cruz
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Fax: (671) 477-7848

CTSI

P.O. Box 6067
Tamuning, GU 96931
Manager: Ken Constantino
Tel: (671) 646-2853
Fax: (671) 646-2855

DEWITT TRANS SERVICES OF GUAM

P.O. Box 127888
Tamuning, GU 96931
Tel: (671) 646-4442
Fax: (671) 649-7777
**GUAM TRANSPORT &
WAREHOUSE**
P.O. Box 7869
Tamuning, GU 96913
Manager: Barry Honda
Tel: (671) 646-4687

INTERMODAL CARGO FORWARDERS

1026 Cabras Hwy. Ste. 205
Piti, GU 96925
Manager: Mike Guterrez
Tel: (671) 6647-8000

JL BAKER & SONS

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Tamuning, GU 96913
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Tel: (671) 649-8664
Fax: (671) 646-8904
Email: jlbaker@jlbakerguam.com

