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Port Authority of Guam – FY 2020 Financial Highlights

April 1, 2021

Hagåtña, Guam – The Office of Public Accountability released the Port Authority of Guam’s (PAG) financial statements, report on compliance and internal control, management letter, and auditor’s communication with those charged with governance for fiscal year (FY) 2020. Independent auditors Deloitte & Touche, LLP rendered clean opinions on PAG’s financial statements and compliance over major federal programs. In addition, the auditors did not identify any material weaknesses or significant deficiencies in internal controls. PAG closed FY 2020 with a decrease in net position of \$919 thousand (K) compared to a \$3.5 million (M) gain in FY 2019. In FY 2020, PAG remains a low-risk auditee for the second straight year.

Revenues Decreased by \$608K

PAG’s operating revenues decreased by 1%, or \$608K, from \$55.2M in FY 2019 to \$54.6M in FY 2020. PAG’s main source of operating revenues comes from cargo throughput charges and saw a \$537K decrease, going from \$34.4M in FY 2019 to \$33.8M in FY 2020. Revenues also decreased from crane surcharge (\$64K), wharfage charges (\$132K), special services (\$61K), and other operating income (\$150K). PAG experienced a \$359K increase in revenues for equipment and space rental when compared to the previous fiscal year.

Operating Expenses Increased by \$7.3M

PAG’s operating expenses increased by 15.1% or \$7.3M from \$48.4M in FY 2019 to \$55.7M in FY 2020. The increase in operating expenses was reflected in the increases in management and administration (\$2.7M), equipment maintenance (\$315K), transportation services (\$854K), stevedoring services (\$600K), retiree healthcare and other benefits (\$2.5M), terminal services (\$458K), insurance (\$482K), and facility maintenance (\$154K). Expenses in depreciation (\$405K), general expenses (\$182K), and utilities (\$208K) decreased when compared to the previous fiscal year.

Report on Internal Control and Compliance and Management Letter

PAG received an unmodified opinion on its compliance report over major federal programs and no findings were identified. Similarly, no material weaknesses were identified over financial reporting. In its schedule of expenditures federal awards, PAG spent \$2.9M in federal awards for FY 2020. These awards included a Pass-through Program from the Office of the Governor: Community Economic Adjustment Assistant for Establishment or Expansion of a Military Installation (\$495K), State and Community Highway Safety (\$12K), Port of Guam Improvement Enterprise Program (\$1.8M), Emergency Management Institute Training Assistance (\$44K), Disaster Grants – Public Assistance (\$168K), and Port Security Grant Program (\$387K).

The independent auditors issued a Management Letter that identified a repeat finding on lease agreements. Specifically, PAG has not finalized recent lease agreements with three tenants by September 30, 2020. Auditors were able to confirm the three lease agreements were finalized after year-end.

Capital Assets and Long Term-Debt

At the end of FY 2020, PAG had \$116.7M invested in capital assets. Of this amount, \$106.6M was for depreciable property, plant, and equipment, and \$10.1M in non-depreciable assets. Depreciable assets decreased by \$3.3M, primarily due to the annual depreciation and surveyed assets. Non-depreciable assets increased by \$3.2M due to the preparatory work on PAG's bond projects.

In October 2019, Public Law 35-44 was signed into law and amended the financing or refinancing improvements and capital improvements of the Jose D. Leon Guerrero Commercial Port. This law addressed key project initiatives, including the:

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

Procurement Delegation

After 14 years since PAG lost its procurement delegation, the Chief Procurement Officer, through the close working relationship with management, restored the full delegation of procurement authority in May 2020. The Chief Procurement Officer continued to grant PAG the full delegation of procurement authority for FY 2021.

Transfer of Autonomous Agency Revenues to Autonomous Agencies Collections Fund

Pursuant to Title 5 of the Guam Code Annotated §22421, certain autonomous agencies, including PAG, are to remit certain amounts to the Government of Guam General Fund at the end of each fiscal year. In March 2011, PAG received a \$12.3M invoice from the Department of Administration representing an annual assessment of \$875K for FY 1998 to 2011. In May 2011, PAG requested a further review and believed it did not owe the entire \$12.3M based on previous transfers in 1994 and 1997 of \$500K and \$3.5M to the General Fund. PAG also asserts that it funds certain government services provided by various government agencies and is only required to transfer amounts to the Autonomous Agency Collections Fund when there is an operating surplus. No liability is recorded for this billing as of September 30, 2020.

Coronavirus (COVID-19)'s Impact on PAG

In March 2020, the Governor of Guam declared a public health emergency pandemic because of the positive COVID-19 cases in Guam. PAG operations have been affected and their management team sprang into action, taking every step possible to protect their employees, tenants, and customers who have business with PAG. PAG established a Port Clinic that was staffed with nurses from the Department of Public Health and Social Services and Department of Education. The Port Clinic had more than 44, 232 visits, and serviced PAG employees, transiting vessel crew members, tenants, users, and communities nearby. PAG remained 100% operational to ensure the flow of goods and supplies into our community and throughout the region was not interrupted.

For a more detailed commentary on PAG's operations, refer to the Management's Discussion and Analysis in the audit report. You may also view the reports in their entirety at www.opaguam.org or www.portguam.com.