



## **Port Authority of Guam FY 2012 Financial Highlights**

**February 25, 2013**

The Port Authority of Guam (Port) ended fiscal year (FY) 2012 with an increase of \$2.1 million (M) in net assets. This is the Port's 10<sup>th</sup> straight year of increases despite challenging economic factors such as the reduced military buildup. Although an increase in net assets has been realized, the Port's operating income declined by \$228 thousand (K) to \$350K. The Port received an unqualified (clean) opinion from independent auditors Deloitte & Touche, LLP for both its financial statement and compliance report over major federal programs. One finding was identified in the internal controls over financial reporting related to local procurement and was considered a significant deficiency. Four audit adjustments were made by the auditors that had a cumulative effect of increasing assets by \$713K.

### ***Revenues Decrease by \$494K***

The Port's FY 2012 operating revenues decreased by 1% or \$494K from \$35.7M in FY 2011 to \$35.2M. Majority of the tariff rates were increased by 3.95% in March 2012, however, the rate increase was offset by the 3% decrease in the total number of containers handled from 96K containers in FY 2011 to 93K in FY 2012. The number of containers handled has been on a decline since handling 100K containers in FY 2008 to 93K containers in FY 2012.

### ***Operating Expenses Decrease by \$266K***

The Port managed to maintain its expenses and experienced a slight decrease of nearly 1% or \$266K from \$35.1M in FY 2011 to \$34.9M in FY 2012 as a result of reduced operational supplies. The major decrease was in its general expenses of 26% or \$846K from \$3.2M in FY 2011 to \$2.4M in FY 2012. Within general expenses, professional services decreased by 39% or \$660K from \$1.7M to \$1M. Legal costs decreased by 33% or \$147K from \$446K to \$299K.

### ***Updates on the Port Modernization Program and Performance Management Contract***

The Port Modernization Program continued in Phase I-A during FY 2012 and included the reconfiguration and expansion of the break-bulk laydown area and upgrade of utilities and security features. Phase I-A is funded through a \$50M grant from the Department of Defense and administered through the Maritime Administration (MARAD). 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 reset and reconfigured to address organic growth and is now known as the Guam Commercial Port Improvement Program (GCPIP). The GCPIP's intent will be to expand its terminal yard operations area, upgrade its equipment and maintenance capabilities,

and improve its waterfront access. The \$25M loan with the ANZ bank has also been withdrawn due to the reduction of the military buildup.

The Performance Management Contract (PMC) under litigation has been dismissed. The Port plans to acquire a PMC for the performance, operation and maintenance of the gantry cranes as described in Public Law 31-145. Until the PMC has been awarded, the maintenance of the acquired gantry cranes will be continued through the previous owners.

***Merit Bonus System***

The Port has not assessed the impact of Public Law 21-59 that established a merit bonus system for Government of Guam employees that achieve superior performance grades. This bonus is calculated at 3.5% of the employee's base salary beginning in 1991. No liability has been recorded in the accompanying financial statements regarding this matter.

***Reports on Internal Control and Compliance, Management Letter, and IT Letter***

One finding was identified in the Port's reports on internal controls and compliance and noted as a significant deficiency. The finding was related to local procurement where necessary procurement documents were not found. Of the four findings noted in FY 2011's Major Federal Award Programs Audit, two have been corrected.

In a separate management letter, recommendations included: (1) reviewing and analyzing the Port Modernization costs incurred and identifying the capital assets these costs should be charged to; (2) conducting periodic reviews of capital projects; (3) strengthening the monitoring of grant period of availability; and (4) ensuring proper procurement documentation. Another letter was provided to Port's management on its information technology (IT) environment.

For a more detailed commentary on the Port's operations, refer to the Management's Discussion and Analysis in the audit report. For more details, view the reports in their entirety at [www.guamopa.org](http://www.guamopa.org) or [www.portguam.com](http://www.portguam.com).