

PORT AUTHORITY OF GUAM

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NEWS RELEASE

Port Achieves 2nd Consecutive Year Designation as a Low-Risk Auditee

Public Auditor Congratulates Port Achievement

Piti, Guam, April 1, 2021: Guam Public Auditor Benjamin J. Cruz congratulates the Port Authority of Guam for once again achieving the designation as a Low-Risk Auditee during the annual financial audit, which revealed a clean audit with no deficiencies.

Independent auditors Deloitte & Touche, LLP rendered clean opinions of the Port Authority of Guam's (PAG) FY 2020 financial statements and compliance over major federal programs. Also, no material weaknesses and significant deficiencies in internal controls were identified by the auditors.

"I commend and congratulate the Port Authority for protecting their Low-Risk Status for a 2nd consecutive year and also finally resolving a long-standing recurring Finding that they had three major lease arrangements that had not been committed to a written lease agreement," said Public Auditor Cruz.

Port General Manager Rory J. Respicio said he is proud of the Port's work to receive another clean audit with no deficiencies. "We have a great team at the Port, and all work very hard to meet what is expected from us – fairness, transparency, accountability; all elements of good governance," Respicio said.

For FY 2020, the PAG recognized operating revenues of \$54.6M. The total number of containers handled was 85,143 containers, an increase of .02% compared to FY 2019's container count of 84,954. In comparison to FY 2019, PAG experienced a decrease in revenues by 1% (\$608K), from \$55.2M in FY 2019 to \$54.6M in FY 2020. The drop in proceeds was from the Port's primary source of revenue, cargo throughput charges of \$537K, as well as from crane surcharge (\$64K), wharfage charges (\$132K), special services (\$61K), and other operating income (\$150K). The Port experienced an increase in revenues of \$359K for equipment and space rental compared to the previous fiscal year.

PAG's operating expenses increased by 15% (\$7.3M) from \$48.4M in FY 2019 to \$55.7M in FY 2020. The increase in operating expenses includes 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). A decrease was recognized compared to the previous fiscal year for expenses in depreciation (\$405K), general expenses (\$182K), and utilities (\$208K).

The result of the net operating revenues minus operating expenses in Fiscal Year 2020 was a \$5.9 million income from operations before depreciation. After adding

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depreciation expenses, non-operating expenses, and federal grant revenues, the Port's net position decreased by \$919 thousand for the fiscal year primarily due to the recognition of Other Post-Employment Benefits and pension expenses as required by the Government Accounting Standards Board (GASB) regulations.

The audit also recognized that the Port resolved some issues with several commercial leases that had been flagged as an audit finding since 2015.

"I want to specifically recognize the Port's Financial Affairs Controller Jojo Guevara for his dedication to responsible and transparent financial management and for completely turning around the Port's financial affairs division since his reinstatement as the Port's Financial Affairs Controller, two years ago," Respicio said.

Further highlighted in the FY 2020 audit are the PAG's capital assets and long-term debt and procurement delegation. After 14 years since the agency lost its procurement delegation, the Chief Procurement Officer restored the full delegation in May 2020. The audit also recognized the impact of COVID-19 and the Port's ability to remain 100% operational, ensuring that the flow of goods and supplies into our community was not interrupted. Every precautionary measure was taken to protect its employees, tenants, and customers who do business with the Port, including opening the Port Clinic at Governor Lou Leon Guerrero's direction.