

February 22, 2004

### **Port Authority of Guam FY 2002 Highlights**

The audited financial statements of the Port Authority of Guam for fiscal year ending September 30, 2002 prepared by Deloitte Touche Tohmatsu have been issued 8 months after the required due date of June 30<sup>th</sup>.

The Port experienced losses for the past three years, \$5,427,055 in 2002, \$3,461,633 in 2001, and \$6,084,642 in 2000. The 2002 loss of \$5.4 million includes \$3.6 million in operating losses, \$1.1 million in COLA/supplemental annuities, \$946,000 write-off of an abandoned asset (see finding 02-10 for details) and typhoon and earthquake related losses of \$420,000.

The Port experienced a 3.8% revenue decline from \$23.6 million in 2001 to \$22.7 in 2002. In response, operating expenses also declined by 4% going from \$27.4 million to \$26.3 million, a drop of over \$1 million. Greater savings in operating expenses would have been realized were it not for the \$517,195 increase in bad debt expense.

Another increase cost of doing business is insurance coverage. Insurance expense increased to \$1.8 million from \$1.7 million. Because of extensive damage to the Port's facilities from earthquakes and typhoons amounting to over \$11 million, the Port's insurance deductible increased tenfold from half a million to \$5 million.

The Port's report on compliance and internal controls had ten findings. Significant findings include:

- Abandoned asset—The Port spent over \$1 million on an asset that could not be used from its initial acquisition back in 1998. The “spur rails” were acquired without input from engineering personnel (Finding 02-10).
- Property – Surveyed Items of \$680,513 were deemed beyond economical repair and not written off in a timely manner (Finding 02-3).
- The Port did not maintain accurate property and equipment records that agreed to the master controls (Finding 02-8).

For further discussion of the Port's operating activities see Management's Discussion and Analysis.