

March 1, 2006

### **Port Authority of Guam FY 2005 Highlights**

The Port Authority of Guam (Port) closed fiscal year 2005 with net assets of \$46.8 million an increase of \$489,000, or 1% from the prior year (net assets is the government accounting term for profit). Although this is the third year the Port reported an increase, it was down by \$1.4 million from \$1.9 million in FY 2004. Were it not for the \$856,000 of federal grants, the Port would have reported a loss of \$368,000 in FY 2005.

The FY 2005 audit conducted by Deloitte & Touche details a decline in operating revenues by \$118,000 from \$26.8 million to \$26.7 million while operating expenses increased by \$1.9 million or 8% from \$24.1 million to \$26 million.

Except for insurance and depreciation, nearly all operating expenses increased with notable increases in transportation from \$2.7 million to \$3.1 million, stevedoring from \$2 million to \$2.3 million, and facility maintenance from \$1.1 million to \$1.3 million. Of the \$26 million of total operating expenses \$15.9 million was for payroll and related benefits compared to \$14.2 million in FY 2004, a \$1.7 million increase. Of this \$1.7 million, \$1.3 million was for regular salaries and wages. In FY 2004, \$553,000 of regular salaries and wages was capitalized to various projects. The implementation of Public Law 27-106 that restored salary increments resulted in the increase of \$792,000.

The increase in utilities of \$260,000 or 33% from \$781,000 to \$1 million is attributed to the rate increases by the Guam Power Authority, Guam Waterworks Authority, and water leak repairs of the Port. Bad debts was \$192,000 due to the write-offs of dormant accounts receivables.

The Port continues to have a healthy cash position going from \$11.2 million to \$15.5 million, of which approximately \$7 million is in short-term investments under 90-days. As a result of the short-term investments, interest income more than doubled from \$197,000 to \$444,000. Cash of \$8.3 million has been set aside for typhoon and earthquake damages repairs.

Non-operating expenses increased by 35% from \$768,000 in FY 2004 to \$1 million in FY 2005 with COLA supplemental annuities increasing by \$359,000 from \$910,000 to \$1.3 million and typhoon repairs by \$133,000.

The Port is commencing its capital upgrades to address typhoon repairs and various improvements. Construction work in progress increased by 110% from \$908,000 to \$1.9 million for wharf projects, aesthetic improvements of facilities, pier repair, installation of security screening equipment, and the replacement of a chain link fence.

The Port's privatization is on-going and \$165,000 has been spent compared to the Guam Telephone Authority's \$12.5 million and Guam Waterworks Authority's \$1.3 million for privatization costs. The Port did not incur legal costs during FY 2005 as it has been utilizing the Office of the Attorney General.

The Port's report on compliance and internal controls did not disclose reportable findings. However, a separate management letter identified five findings, which included fixed assets, obsolete inventory policy, property on loan, and a stolen firearm. These findings consist of:

Finding No. 1 reported that out of the 93 fixed assets selected for physical existence, three with a cost of \$5,000 were missing, and 20 with a cost of \$41,000 were out of service.

Finding No. 3 cited management for not establishing a policy for allowance of obsolete inventory to ensure proper valuation of inventory, as over one-third of inventory is quite old.

Finding No. 4 revealed that a computer tape drive with an original cost of \$64,000 has been on loan to the Department of Administration since November 2004.

Finding No. 5 reported a stolen firearm and the Port could not locate the police report because the Property Control Officer who obtained the police report has resigned. The Port responded that the incident occurred more than five years ago. Firearms and similar types of equipment should be inventoried annually, at a minimum.

For further discussion see the Management's Discussion and Analysis.