



OFFICE OF THE PUBLIC AUDITOR

## Port Authority of Guam Has Another Year of Losses

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According to the fiscal year 2001 audited financial statements of the Port Authority of Guam prepared by Deloitte Touche Tohmatsu, the Port was unable to document the value of its replacement parts inventories of \$360,000. This condition was first mentioned in the FY 2000 audit. Port officials claim that this setback stems from interfacing issues between old accounting system and their new accounting system, JD Edward and which they have addressed and that proper steps have been taken to ensure that the necessary reports are accurately generated.

The Port also provided a \$2 million allowance for a receivable from the General Fund for Super Typhoon Paka related expenditures. Public Auditor Doris Flores Brooks said that given the General Fund's precarious cash flow situation, it is highly unlikely that the General Fund will be able to repay the Port this \$2 million, hence the allowance.

Public Auditor Brooks did note that the Port showed some improvement, as it was able to increase its operating revenues by 6% from \$22.2 million in FY 2000 to \$23.5 million in FY 2001. Operating expenses also decreased by almost \$800,000 or 3% going from \$28.1 million to \$27.4 million. Expenses across all categories declined except for management and administration expenses, which increased by \$320,000. The Port spent more than a half million dollars on legal counsel and \$85,000 on a tariff study in FY 2001. It incurred personnel expenses of \$17 million in FY 2001, which constitutes 72.5% of its total revenues. But despite the increase in revenues and the decline in operating expenses, the Port still experienced a loss from operations of \$3.8 million and a total loss of \$3.4 million.

Since 1995 with the exception of 1998 the Port has had losses. In 2000, the loss was \$6.1 million, increasing from the \$3.7 million loss in 1999. In 1998 due to Paka reimbursement and insurance claims the Port had a profit of \$3.3 million. In 1997 the loss was \$800,000, which declined from the \$1.6 million loss in 1996 and the \$3 million loss in 1995.

With these sustained losses, the Port will have difficulties in the future financing major capital improvements that will be needed to improve its overall operating efficiencies.

