



## **Port Authority of Guam FY 2013 Financial Highlights**

**February 28, 2014**

For the past eleven years, the Port Authority of Guam (Port) has managed to close out its fiscal year (FY) with an increase in net position (net income) despite challenging economic factors such as the reduced military buildup and decreases in cargo handled. However for FY 2013, the Port's net position was only \$92 thousand (K) compared to \$2.1 million (M) in the prior year. The decrease was primarily due to the write-off and loss from disposal of property, plant and equipment of \$3.3M related to environmental studies and surveys for projects in the Port Modernization Plan that will no longer be pursued.

The Port received an unmodified (clean) opinion from independent auditors Deloitte & Touche, LLP for its financial statements and compliance report over major federal programs. The Port is applauded as no findings pertaining to federal funds were identified in FY 2013 as well as in FY 2012; therefore, the Port may qualify to become a low-risk auditee next fiscal year.

### **Revenues Increased by \$6.8M**

The Port's FY 2013 operating revenues increased by 19% or \$6.8M from \$35.2M in FY 2012 to \$42M. Most of this derived from the \$5.9M increase in cargo throughput charges due to the new crane surcharge fees implemented in January and March 2013. The number of containers handled has been on a decline from the high of 98K in FY 2010 to 93K in FY 2012 and 91K in FY 2013. Total cargo revenue tons also declined to 1.9M. Although containers and tonnage handled decreased, the increase of tariff rates offset the impact. Equipment and space rental increased by \$610K from \$6.9M to \$7.5M.

### **Operating Expenses Increased by \$5.9M**

The Port's FY 2013 operating expenses increased by 17% or \$5.9M from \$34.9M in FY 2012 to \$40.8M in FY 2013. This was primarily due to equipment maintenance costs. Three used gantry cranes were purchased in FY 2013, which caused the Port to absorb maintenance costs that were once paid for by Matson. FY 2013 equipment maintenance costs increased by \$2.4M from \$5.3M in FY 2012 to \$7.7M in FY 2013.

Although cargo activity declined, overtime nearly doubled from \$664K in FY 2012 to \$1.3M in FY 2013 as a result of required scheduling described in the Port's personnel rules and regulations. General expenses also increased by \$798K due to merit bonuses, loan fees, and legal fees. Merit bonuses of \$192K and loan fees of \$116K were paid out for the year. Legal fees increased by 209% or \$624K from \$299K to \$923K.

### **Updates on the Port Modernization Program and 2013 Master Plan Update**

The Port Modernization Program continued in Phase I-A during FY 2013 which is funded through a \$50M grant from the Department of Defense and administered through the Maritime Administration (MARAD). This phase includes the reconfiguration and expansion of the break-bulk laydown area, renovation of the CFS Building container yard and gate house expansion and upgrade of utilities and security features.

Due to the reset called by the Military Buildup Program, the Port formulated a Balanced Modernization Program to include Wharf Service Life Extension and a reduction to Phase I-A to remain available in the Port Enterprise Program funds. In addition, the Port has a 2013 Master Plan Update which provides an overview of the current condition and elements of continuous improvement and sustainability. The Master Plan Update provides a five year near term emphasis on improvements to both the Port efficiency and the creation of additional cargo handling capacity for the anticipation of the military build-up.

### **Government Accounting Statements**

The Government Accounting Standards Board (GASB) has issued several statements to be implemented in the next few years. GASB Statement Nos. 67 and 68, related to the *Financial Reporting for Pensions*, will result in significant adjustments as the Port will be required to report its pro rata share of GovGuam's pension liability, which as of FY 2012 is \$1.5 billion. Adoption of GASB 67 and 68 will come in FY 2015.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the Port to present supplementary information on other post-employment benefits (OPEB) unlike the pension liability which will be recorded on the financial statements. As of FY 2011, the Port's pro rata share of GovGuam's OPEB valuation is \$37M.

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

The Port received an unmodified (clean) opinion on its compliance report over major federal programs and no significant findings were identified. Similarly, no material weaknesses were identified over financial reporting. With two years of no findings over major federal programs, the Port may qualify to be a low-risk auditee next fiscal year.

In a separate management letter, recommendations included: (1) identifying capital assets to which the Port Modernization Program costs should be charged to; (2) timely capitalization of construction in progress; (3) proper completion and authorization of leave forms; and (4) proper review of sales invoices. A separate letter was provided to Port's management on its information technology (IT) environment that identified five deficiencies.

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).