



OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagatna, Guam 96910
Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)
www.opaguam.org

Port Authority of Guam – FY 2019 Financial Highlights

May 14, 2020

Hagåtña, Guam – The Office of Public Accountability released the Port Authority of Guam’s (PAG) financial statements, report on compliance and internal control, management letter, and auditor’s communication with those charged with governance for fiscal year (FY) 2019. Independent auditors Deloitte & Touche, LLP rendered clean opinions on PAG’s financial statements and compliance over major federal programs. In addition, the auditors did not identify any material weaknesses and significant deficiencies on internal controls. PAG closed FY 2019 with an increase in net position of \$3.5 million (M) compared to a \$103 thousand (K) loss in FY 2018. In FY 2019, PAG regained its low-risk auditee status after it lost its designation in FY 2017 due to a late report submission to the Federal Clearing House.

COVID-19’s Impact on PAG

PAG determined that COVID-19 may impact its business, results of operations, and net position. As an essential agency, PAG remained fully operational to ensure the continued supply of goods to the island during the Governor of Guam’s state of emergency declaration. As of March 31, 2020, PAG has not experienced a decrease in cargos beyond its FY 2020 projection. The total number of containers for the first six months of FY 2020 is higher by 1% or 246 containers as compared to FY 2019’s first six months. The Year-To-Date March actual financial results versus budget are as follows: operating revenues is -0.4% and operating expenses is -7%, resulting in a net income of \$4.2M for the first six months of the fiscal year. Due to the uncertainty surrounding the duration of the state of emergency, PAG is unable to reasonably estimate its ultimate financial impact. PAG created a separate general ledger account to capture all COVID-19 related expenses and has every plan to secure reimbursement. All these financial transactions will be captured and reported in the FY 2020 financial audit.

Revenues Increased by \$1.1M

PAG’s operating revenues increased by 2% or \$1.1M from \$54.2M in FY 2018 to \$55.3M in FY 2019. Revenue increases were primarily due to a 1% tariff rate increase, cargo throughput, wharfage, and other operating income. The increase in other operating income was due to increased activity in passenger vessels as well as income from donated vehicles and heavy equipment from other agencies.

Operating Expenses Decreased by \$2.4M

PAG’s operating expenses decreased by 4.7% or \$2.4M from \$50.7M in FY 2018 to \$48.4M in FY 2019. The decrease in operating expenses was accomplished despite PAG absorbing \$2M in the middle of the fiscal year for unbudgeted payroll requirements, as well as booking \$3.1M in contingent liabilities. In September 2018, prior management implemented a new pay schedule under PAG’s Compensations and Classification plan, which was not part of the expense projection in the PAG’s FY 2019 Budget.

Report on Internal Control and Compliance and Management Letter

PAG received an unmodified opinion on its compliance report over major federal programs and no findings were identified. Similarly, no material weaknesses were identified over financial reporting.

The independent auditors issued a Management Letter that identified a repeat finding on lease agreements. Specifically, PAG has not finalized recent lease agreements with five tenants.

For a more detailed commentary on PAG's operations, refer to the Management's Discussion and Analysis in the audit report. You may also view the reports in their entirety at www.opaguam.org or www.portguam.com.