

# PORT AUTHORITY OF GUAM

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## NEWS RELEASE

### Port Achieves 3rd Consecutive Year Designation as a Low-Risk Auditee

**Piti, Guam, April 22, 2022:** The Port Authority of Guam has once again achieved low-risk auditee status. This is the third consecutive year in a row that the Port got this designation since the time that it failed to get this designation in Fiscal Years 2017 and 2018.

Independent auditors Deloitte and Touche, LLP, rendered the unmodified (clean) opinion of the Port for FY 2021 financial statements and compliance over major federal programs. Also, no material weaknesses and significant deficiencies in internal controls were identified by the auditors.

"PAG is commended for qualifying as a low-risk auditee for the third consecutive year," Public Auditor Benjamin J.F. Cruz stated in the Office of Public Accountability Financial Audit released today.

For FY 2021, the Port's operating revenues increased by \$432 thousand (K), from \$54.6 million (M) in FY 2020 to \$55M in FY 2021. The revenue increase was significant because this was accomplished despite the challenges the Port faced during the period of the COVID 19 pandemic and the Port did not implement any tariff rate increases. The number of containers handled in FY 2021 also increased by 1.9% or 1,651 containers, from 85,143 in FY 2020 to 86,794 in FY 2021.

The Port's total operating expenses increased by \$2.6M (or 4.6%) from \$55.7M in FY 2020 to \$58.3M in FY 2021. The overall increase in operating expenses is largely due to the recording of post employment benefits and pension costs in FY 2021, resulting in higher retiree healthcare and other benefits and divisional expenses.

Before depreciation (a non-cash expense), net operating revenues minus operating expenses in FY 2021 was \$3.1M operating income. After adding back the \$6.3M non-cash expense of depreciation, \$754K of net non-operating revenues, and \$219K of U.S. Government capital grants, Port concluded FY 2021 with a \$2.2M decrease in its net position.

As of September 30, 2021, the Port's current assets amounted to \$75.4M, which is an increase of \$3M. This is primarily due to the \$2.6M increase in total cash and cash equivalents, and \$648K in Accounts Receivable.

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In FY 2021, the Port was notified by Moody's and S&P Global rating agencies that their rating outlook for the Port was upgraded to stable. Moody's mentioned in their announcement that the Port's low leverage, strong liquidity, and the ability to remain fully operational during the coronavirus pandemic are the major reasons for the upgrade. While S&P Global rating agency stated that the outlook revision reflects their view that, despite the economic disruption caused by the global COVID-19 pandemic, volume levels at the port have remained relatively stable and resilient from fiscal 2019 to FY 2020 and continuing into FY 2021 (Sept. 30 year-end), given the essentiality of the Port, supporting financial metrics that remain in line with their expectations at the current rating level. The annual debt service coverage for FY 2021 is 1.35%, which meets the bond indenture requirement.

"This audit affirms that we have been on-target with the directives put in place by Governor Lou Leon Guerrero, Lt. Governor Josh Tenorio, Board Chairman Frank Santos, and our board," Port General Manager Rory J. Respicio said. "We are working very hard to successfully complete the Port Modernization program and improve employee morale, productivity and efficiencies. These audit findings, in particular the low-risk designation, brings us the credibility needed to seek funding to replace the Port's aging gantry cranes, rehabilitate the wharves to ensure resiliency and replace our aging facilities, so that the Port does not become a choke point for discharging and deploying military assets and commodities."

"We also recognize the Port's Financial Affairs Controller Jojo Guevara, and our team at finance for their work, especially making the case that caused the independent auditors to accept our adjustments to capitalize the interest expense that we paid for the bond loans: \$1.7M in FY 2021 and \$1.5M in FY 2020. This means that the Port's net loss in FY 2021 went from \$4M to \$2.2M, and the auditors are now restating our FY 2020 results from a - \$919K loss to \$592K Net Income," said Respicio.