

*Financial Statements, Required Supplementary
Information, and Supplementary and Other Information*

**Antonio B. Won Pat International Airport
Authority, Guam**

(A Component Unit of the Government of Guam)

*Years ended September 30, 2021 and 2020
with Report of Independent Auditors*



Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information,
and Supplementary and Other Information

Years ended September 30, 2021 and 2020

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Antonio B. Won Pat International Airport Authority, Guam
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Financial Statements, Required Supplementary Information,
and Supplementary and Other Information

Years ended September 30, 2021 and 2020

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Report of Independent Auditors

The Board of Directors

Antonio B. Won Pat International Airport Authority, Guam

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Antonio B. Won Pat International Airport Authority, Guam (the Authority), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 28, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on pages 81, 83 and 85, the Schedule of the Authority's Contributions on pages 82, 84, 86 and 88 and the Schedule of the Authority's Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary and other information included in pages 90 through 94 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in pages 90 through 93 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule 17 - Employee Data on page 94 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 16, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Ernst + Young LLP

March 16, 2022

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Management’s Discussion and Analysis

Year ended September 30, 2021

The following Management’s Discussion and Analysis of the activities and financial performance of the Antonio B. Won Pat International Airport Authority, Guam (the “Authority”) provides the reader with an introduction and overview to the financial statements for the fiscal year (“FY”) ended September 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Authority was created by Public Law 13-57 (as amended) as a component unit of the Government of Guam to own and operate the facilities of the Guam International Airport Terminal (the “Airport”). The Authority is a self-sustaining autonomous government agency and operates and maintains the Airport. The Airport provides facilities for domestic overseas flights and international flights to destinations in Micronesia, Asia, and Oceania. It is authorized to impose and collect rates and charges for the Airport’s services and properties to generate revenues to fund operating expenses, debt service and reserves.

A. Mission Statement

The Authority strives to ensure the safety and security of the traveling public, is dedicated to maintaining a superior and reliable level of airport services for our island residents and tourists, and is committed to supporting the development of air linkages and facilities which are integral parts of the island’s current and future economic growth. The Authority’s vision is to advance Guam further as the first-class premier air transportation hub of the region.

B. Using the Financial Statements

The Authority utilizes the flow of economic measurement focus. Financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Statement of Revenues, Expenses and Changes in Net Position replaced the Statement of Revenues, Expenses and Changes in Net Assets. Revenues are now categorized as either operating or non-operating based upon definitions provided by GASB 34. Significant recurring sources of the Authority’s revenues, including federal grants are reported as non-operating revenues.

C. Authority Activities and Highlights

FY 2021 was one of the most challenging years in the history of the Authority. The 2019 Novel Coronavirus (“COVID-19”) pandemic that has continued to impact economies worldwide, has stymied Guam’s air traffic recovery due to the island’s reliance on tourism and travel from destinations in Asia.

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

As FY 2021 came to a close, the Authority's total passenger movements amounted to 223,603. Passenger enplanements (departing & transit passengers) accounted for 135,566 movements while arriving passengers equaled 88,037 movements. This reflects a decrease of 86.7% (1,455,050) in total passenger movements compared to 1,678,653 the prior year, and an 84.7% (748,494) drop in enplanements from 884,060, year-over-year. Signatory airlines were cautiously optimistic in projecting a modest recovery of 1.15 million enplanements but only realized 11.8% of projections. This precipitous drop was due in large part to the continued suspension of service by airline partners from our key international origin and destination ("O&D") markets. Moreover, the percentage of arriving passengers from international O&D markets such as South Korea, Japan, and Taiwan normally account for over 90% of arriving passengers. The other 10% or less arrive from domestic locations of Hawaii and Saipan, CNMI. In FY 2021, 67.6% (59,527) were domestic travelers, while 32.4% (28,510) were international arrivals.

Notwithstanding the decline in passenger activity, the Authority remained compliant in maintaining its 24-hour operations as a Federal Aviation Regulations ("FAR") Part 139 airport for the traveling public and aircraft. In addition, the Authority remained focused on mitigating the effects of the COVID-19 pandemic, ensuring the safety and wellness of our community in anticipation of regaining passenger traffic and the transport of vaccines, medical, emergency equipment, and essential personnel needed to help mitigate and contain this pandemic.

Travel Recovery

Due to Guam's heavy reliance on the relaxing of tourism and travel restrictions in key O&D markets of Japan, Korea, Taiwan, and China, recovery has lagged compared to other tourist markets. The arrival and dissemination of the COVID-19 vaccine and the sustained reduction in transmission did increase passenger activity, particularly in the last four months of FY 2021. However, total passenger movements of 223,603 in FY 2021 equated to only 6.2% of the pre-pandemic activity of 3,600,454 in FY 2019.

Nevertheless, the Authority has continued to work closely with the Department of Public Health and Social Services (DPHSS), the Guam Visitors Bureau, the Guam Economic Development Authority, and its airline partners to position Guam for the eventual rebound and recovery of travel. The Authority also remained vigilant in maintaining essential air services integral to our island and our regional communities' economies. Some initiatives included providing exemptions to local arrivals quarantine requirements which assisted in increased passenger activity. In addition, the Authority has provided incentives and financial relief to airline partners and other business stakeholders to stimulate demand. Other initiatives included improving touchless technologies in anticipation of the many permanent changes in future travel protocols.

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

The following airlines served the Authority with scheduled passenger service for FY 2021:

United Airlines, Air Seoul, China Airlines, Japan Airlines, Jeju Air, Jin Air, Korean Air, Philippine Airlines, T'way Air, and Aerospace Concepts (which operates as a business jet service). All-Cargo operators include Asia Pacific Airlines, Federal Express, and UPS. Star Marianas and Arctic Circle also provide services to the CNMI from Guam utilizing aircraft weighing 12,500 pounds or lower on a scheduled and charter basis for passenger/cargo services.

ANTONIO B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM
Management Discussion and Analysis
Years ended September 30
Authority Activities and Highlights

	<u>2021</u>	<u>2020</u>	<u>2019</u>	2021 % Increase (Decrease) from 2020
Major revenue sources:				
Landing fees (a)	\$ 799,651	\$ 2,948,497	\$ 3,529,497	-72.9%
Terminal Lease	10,554,728	11,170,013	12,821,452	-5.5%
Concessions and parking	5,509,942	13,477,701	22,222,182	-59.1%
Total	<u>\$ 16,864,321</u>	<u>\$ 27,596,211</u>	<u>\$ 38,573,131</u>	-38.9%
Passenger (enplanements) activity:				
Signatory airlines	124,856	878,436	1,875,879	-85.8%
Non signatory and Other airlines	10,710	5,624	9,229	90.4%
Total enplanements	<u>135,566</u>	<u>884,060</u>	<u>1,885,108</u>	-84.7%
Aircraft operations	<u>12,408</u>	<u>29,834</u>	<u>54,538</u>	-58.4%
Aircraft landed weights (000,000)	<u>1,582,331</u>	<u>2,575,583</u>	<u>3,372,358</u>	-38.6%
O & D passengers	189,733	1,578,125	3,435,908	-88.0%
Transfer passengers	33,870	100,528	164,546	-66.3%
Total passengers	<u>223,603</u>	<u>1,678,653</u>	<u>3,600,454</u>	-86.7%

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

COVID-19 Protocols and Programs

As an essential facility provider, the Authority is federally obligated to remain open despite the government's various COVID-19-related public policies and restrictions on government offices and businesses. To balance the task of maintaining essential air services and ensuring the wellbeing and safety of the Airport's customers and employees, the Authority established its WE CARE Program.

Under the WE CARE Program, the Authority initiated facility and service enhancement measures including, but not limited to establishing quarantine and testing protocols; implementing face masks and social distancing requirements; installing transparent barriers at all passenger processing and service points; installing automated equipment in restrooms; conducting thermal screening for all Airport staff and passengers; installing ultraviolet lights in all air handling units; and establishing enhanced cleaning and sanitizing practices, including frequent disinfection of terminal areas and equipment and electrostatic cleaning after the arrival and departure of each flight. These measures conform with guidelines set forth by the Centers for Disease Control and Prevention and the DPHSS, as well as the Federal Aviation Administration's ("FAA's") Runway to Recovery framework to mitigate the spread of COVID-19.

The WE CARE Program earned the Authority a "Safe Travel" designation established by the World Travel and Tourism Council for agencies and companies worldwide that have adopted globally standardized protocols for health and hygiene. In addition, the Authority earned the Airport Health Accreditation from the Airports Council International, which demonstrates that the Airport is prioritizing health and safety.

Capital Improvements

Notwithstanding the current operating conditions, the Authority continued to forge ahead with its multi-year capital improvement plan based on its 2012 Master Plan Update. Projects that were underway or in the planning phases focused on enhancing the safety and security of the community and the traveling public, increasing capacity, reducing airport noise, and generating or sustaining air service to current or new markets. Like many airport operators throughout the U.S., the Authority had to implement protocols in response to the COVID-19 pandemic. While federal relief grants enabled the Authority to maintain airport operations, the funding from the 2020 Coronavirus Aid, Relief, and Economic Security Act ("CARES"), the 2021 Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSSA"), and the 2021 American Rescue Plan ("ARP") Act (collectively, the "COVID-19 Relief Acts") did not cover capital expenses. The Authority prioritized federally funded projects or projects essential to maintaining airport operations and compliance with FAR Part 139, without having to issue additional bonds.

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

Projects Currently Underway

Third Floor International Arrivals Corridor with Seismic Upgrades. This project consists of construction of a new international arrivals corridor that will separate arriving non-TSA-screened passengers from departing TSA-screened passengers, as well as seismic upgrades to the passenger terminal building infrastructure to support the new Third Floor International Arrivals Corridor. This project is substantially completed and partially operational as the general contractors complete the "punch list" phase to finish off any outstanding work items. Total project costs are expected to be approximately \$136 million. Sources of funding for this project included proceeds from the Series 2013 Bonds, capital improvement funds and FAA entitlement grants.

Aircraft Rescue and Firefighting Facility. This project consists of construction of a new aircraft rescue and firefighting facility that will improve response time to potential emergencies. This project is currently under construction and expected to be completed in FY 2022. Total project costs are expected to be approximately \$23.4 million. The Authority anticipates this project will be 90% funded with FAA discretionary funds and 10% funded with Authority funds.

Runway 6L/24R Rehabilitation. This project consists of two phases. The first phase includes the rehabilitation and reconstruction of over 1,550 linear feet of runway (Phase 1a) and the rehabilitation and reconstruction of an additional 1,450 linear feet of runway (Phase 1b). Phase 1a and Phase 1b are currently in progress and expected to be completed by the end of April 2022. The second phase (Phase 2), which will include the rehabilitation of over 4,000 linear feet of runway previously constructed using Portland Cement Concrete pavement, is expected to be completed by September 2022. Total project costs are expected to be approximately \$25 million. The Authority expects this project will be 90% funded with FAA funds and 10% funded with Authority funds.

Projects in Planning Process

Master Plan Update. The COVID-19 pandemic delayed the Authority's plans to update its airport master plan that was last completed in 2012. Once this update is complete, the Authority will be able to identify and prioritize projects as part of its capital improvement program. The Authority has engaged with a consultant to conduct the master plan update. The Notice to Proceed was issued in November 2022 and scoping meetings are ongoing. This project is expected to be completed by February 2023 and is 90% funded with FAA discretionary funds and 10% funded with Authority funds.

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

Projects in Planning Process, continued

Update the Part 150 Noise Study. This project will provide professional consulting services to conduct all facets of a FAR Part 150 Noise Compatibility Study for the Authority. The purpose of the proposed Part 150 Noise Compatibility Study is to develop updated noise exposure maps for land use planning and noise mitigation in and around Guam, and to update the Authority's Noise Compatibility Program. The Authority anticipates this project will be 90% funded with FAA discretionary funds and 10% funded with Authority funds.

Cargo Apron/Fuel System Extension. This project includes constructing a cargo apron and connecting taxiway, and extending the Airport's fuel system to service the Integrated Air Cargo Facility located approximately one-half mile west of the air terminal. The Authority anticipates this project will be 90% funded with FAA discretionary funds and 10% funded with Authority funds.

Apron and Taxiway Rehabilitation. This project includes rehabilitating over 1.5 million square feet of parking/apron areas and the Kilo taxiway in front of the terminal and airfield. The project will enable the Airport to maintain its capacity and to increase the safety and efficiency of aircraft and ground support equipment operations, personnel activities, passenger movements and airport servicing. The Authority anticipates this project will be 90% funded with FAA discretionary funds and 10% funded with Authority funds.

Operations

COVID-19 Operational Modifications

Transitioning into "New Normal" operations to help mitigate the impact of the pandemic on the Authority's airline partners, concessionaires, and other service providers required an elevated level of collaboration and communication with all stakeholders. Continuing the measures taken in FY 2020, the Authority maintained designated essential personnel onsite at the Airport to meet federal requirements. The Authority adjusted work schedules to ensure the availability of adequate but minimal services during active flight hours. The Authority consolidated Airport operations and restricted passenger gates and other facilities to reduce contact areas throughout the terminal. Social distancing was highly encouraged and limited entry to the terminal building was practiced. Employees minimized their movement and limited procurement of essential supplies and services. In addition, the Authority held a drive to encourage employees to get vaccinated, which led to 95% of its workforce receiving the COVID-19 vaccine.

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

Full Scale Exercise

In November 2020, the Authority successfully concluded its Full-Scale Exercise testing its response to an on-airport emergency. This triennial exercise is mandatory as part of the Airport Operator's certification under FAR Part 139 and evaluated by the FAA's Airport District Office out of Honolulu, Hawaii. Due to the real-world impact of the COVID-19 pandemic, this exercise had to be modified using one hundred (100) dummy dolls instead of live volunteers, to meet the required number of victims for our specific airport index as ranked by the FAA.

Part of the Airport's response included the standing up of an Emergency Coordination Center at the terminal to facilitate and coordinate all information, logistics and serve as a central communication point for all stakeholders. It was a very successful event that involved numerous federal and local government agencies, and other airport stakeholders that included the FAA ADO, FAA Air Traffic Control, Transportation Security Administration, Customs & Border Protection, Guam Customs & Quarantine Agency, Guam Homeland Security/Office of Civil Defense, United Airlines, Menzies Aviation, Guam Fire Department, Guam Police Department, Guam Memorial Hospital Authority, the DPHSS, and the Authority from all eight (8) of its divisions. Other players participated in the exercise virtually.

Support Location for Military Aircraft Operations

The Authority supported several joint military exercises in the summer of 2021. As part of the U.S.' National Plan of Integrated Airport Systems and a FAR Part 139 airport, the Guam International Airport's runways and taxiways are a vital piece of infrastructure supporting not only commercial aviation, but a critical alternate or divert location for Andersen Airforce Base and its military operations.

Airport Cell Phone Lot

In July 2021, the Authority opened up its Airport Cell Phone Lot for the use of family, friends, visitors, etc. arriving from a flight and who are in cell phone contact with one another. This was created as a solution to ease the congestion at the terminal arrivals level when flights come in, especially during busy flight arrival banks. The lot is comprised of twenty-five (25) parking stalls adjacent to the Light Aircraft Commuter Facility, which was the former cargo warehouse location.

Most Efficient Airport in Asia (Small Airport Category)

Despite the pandemic and its impact worldwide, The Authority's reputation in the region for operational excellence was recognized on a global scale for the fourth consecutive year by the Air Transport Research Society (ATRS), as a result of its 2021 Global Airport Performance Benchmarking Report. Guam's airport was selected as achieving the "2021 Top Asia Airport Efficiency Excellence, in the under 10 million passengers per year category."

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

Most Efficient Airport in Asia (Small Airport Category), continued

The ATRS Global Airport Benchmarking measures and compares the performance of several aspects of airport operations: productivity and efficiency, unit costs and cost competitiveness, financial results and airport charges. The 2021 report included 205 airports and 24 airport groups of various sizes and ownership forms in Asia Pacific, Europe and North America. Initiated in 2000 at the University of British Columbia, the project is now hosted at the College of Business at Embry Riddle Aeronautical University in Daytona Beach, Florida, and is guided by a 16-member task force of leading academics from Asia Pacific, Europe and North America.

D. Financial Operation Highlights

Total Net Position

The Authority's total assets and deferred outflow of resources for FY 2021 amounted to \$615.1 million, reflecting a 0.2% increase year-over-year from the \$613.6 million recorded in FY 2020. The variance is attributable mainly to the cost savings achieved with the issuance of the \$143 million 2021 Series A General Revenue Bonds (2021 Bonds) that refunded the Authority's 2013 and 2019 Series A Bonds, its 2013 Series B Bonds, and a portion of its 2013 Series C Bonds and 2019 Series B Bonds. The sale of the 2021 Bonds, which was 18.1x oversubscribed, provided the Authority a Net Present Value savings of more than \$3 million with the All in True Interest Cost of 4.07% for the newly issued bonds.

Total long-term liabilities for the Authority decreased 0.9% year-over-year and may be attributable to the sale of the 2021 Bonds, which also reduced the debt service payments of \$13.7 million in FY 2021 to \$8.1 million beginning in FY 2022. Moreover, the cost-savings from the 2021 Bonds provided more flexibility for the Authority, given the current and turbulent operating environment, to transition from COVID-19 response to recovery.

In addition to the above, the Authority records pension and other post-employment benefits (OPEB) in conformance with GASB Nos. 68 and 75. As of September 30, 2021, Deferred Outflow for Pension and OPEB amounted to \$25.4 million while Deferred Inflow for Pension and OPEB amounted to \$29.5 million compared to the \$15.0 million the prior year.

Thanks in large part to the completion of several of the major capital improvement projects and financial assistance provided by the federal government under the COVID-19 Relief Acts, the Authority's total net position for FY 2021 remained relatively flat at \$281.9 million compared to the \$280.3 million for FY 2020.

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Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

Financial Position Summary

A condensed summary of the Authority's Statements of Net Position at September 30, 2021, 2020, and 2019 is shown below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	2021 % Increase (Decrease) from 2020
<u>ASSETS</u>				
Current assets:				
Unrestricted current assets	\$ 13,241,990	\$ 10,158,096	\$ 9,759,401	30.4%
Restricted currents assets	300,544	389,389	1,881,854	-22.8%
Non-current assets:				
Unrestricted assets	40,430,483	73,387,986	91,231,195	-44.9%
Restricted assets	25,983,877	26,325,753	39,266,254	-1.3%
Capital assets	489,655,295	466,685,877	446,553,710	4.9%
Avigation easements	5,292,992	6,569,171	7,845,350	-19.4%
Accounts Receivable - Trade Long Term	248,400	378,000	507,600	-34.3%
Deferred Outflow - Pension	7,135,101	6,144,079	4,597,034	16.1%
Deferred Outflow - Other Post Employment Benefits	18,247,009	22,989,995	13,379,839	-20.6%
Deferred differences on refunding of 2019 bonds	<u>14,581,473</u>	<u>563,580</u>	<u>---</u>	2487.3%
Total Assets and Deferred Outflow of Resources	<u>\$ 615,117,164</u>	<u>\$ 613,591,926</u>	<u>\$ 615,022,237</u>	0.2%
<u>LIABILITIES</u>				
Current liabilities:				
Payable from unrestricted assets	\$ 25,043,441	\$ 29,998,875	\$ 24,542,955	-16.5%
Payable from restricted assets	2,361,538	9,349,496	20,276,979	-74.7%
Long term liabilities	<u>276,275,058</u>	<u>278,825,779</u>	<u>266,556,173</u>	-0.9%
Total	<u>\$ 303,680,037</u>	<u>\$ 318,174,150</u>	<u>\$ 311,376,107</u>	-4.6%
Deferred inflow of resources:				
Deferred differences on refunding of 2013 bonds	\$ 36,497	\$ 71,502	\$ 117,061	-49.0%
Deferred Inflow - Pension	704,214	727,875	898,574	-3.3%
Deferred inflow - Other Post Employment Benefits	<u>28,800,329</u>	<u>14,306,299</u>	<u>17,869,987</u>	101.3%
Total Deferred Inflow of Resources	\$ 29,541,040	\$ 15,105,676	\$ 18,885,622	95.6%
<u>NET ASSETS</u>				
Invested in capital assets - net of related debt	\$ 314,733,483	\$ 289,707,320	\$ 253,719,950	8.6%
Restricted	23,923,254	21,372,922	33,632,254	11.9%
Unrestricted	(56,760,650)	(30,768,142)	(2,591,696)	84.5%
Total Net Position	<u>\$ 281,896,087</u>	<u>\$ 280,312,100</u>	<u>\$ 284,760,508</u>	0.6%
Total liabilities and net position	<u>\$ 615,117,164</u>	<u>\$ 613,591,926</u>	<u>\$ 615,022,237</u>	0.2%

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

Total Revenues

The Authority received over \$68.8 million in total revenues for FY 2021. While it represents a 9.2% decrease year-over-year from the \$75.7 million generated in FY 2020, it allowed the Authority to remain compliant in maintaining its 24-hour operations as a FAR Part 139 airport for the traveling public. More than \$42.7 million was provided to the Authority in FY 2021, by the federal government through entitlements, discretionary, or COVID-19 Relief Acts grants.

Operating Revenues

Total operating revenues in FY 2021 equaled to \$43.6 million, reflecting a 25.1% decrease from the \$58.3 million generated in FY 2020. Facilities and use charges amounted to \$5.3 million, 69.8% less than the \$17.5 million for the same period. Concession revenue was significantly impacted equaling \$5.5 million versus the \$13.5 million the prior year, a decrease of 59.1%. General Merchandise amounted to \$4.4 million reflecting a 50.8% decline from the almost \$9 million generated in FY 2020. Ground transportation and car rental revenues saw a huge decline of \$2.3 million, representing an 86.9% decline collectively from \$2.7 million in FY 2020 to a modest \$354 thousand in FY 2021.

Rental income experienced a decrease of 5.5% year-over-year from \$11.2 million in FY 2020 to \$10.6 million in FY 2021, which may be attributed to the continued suspension of services by our airline partners.

Income from operating grants from the federal government, the government of Guam, and miscellaneous sources increased 38.3% year-over-year from \$16.1 million in FY 2020 to \$22.2 million in FY 2021. Much of this funding is attributable to the COVID-19 Relief Acts that was passed by Congress which helped to alleviate the economic strain placed upon the Authority and its business stakeholders.

Non-Operating Revenues

Total non-operating revenues amounted to \$25.2 million in FY 2021 versus the \$17.5 million recorded the prior year. Non-operating revenues, which are comprised of interest income, passenger facility charges (PFCs), grants from the US government, and other miscellaneous sources realized a 44.1% increase due in large part to the \$22.3 million provided by the federal government, most notably the FAA. PFC collections were significantly depressed due to the decreased passenger activity. Collections dropped by 90.7% to a modest \$271 thousand in FY 2021 versus the \$2.9 million collected in FY 2020.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

Operating Expenses

Following its cost-cutting initiatives from FY 2020, the Authority maintained strict protocols to ensure the procurement of only essential supplies and services in support of its 24/7 operations, in compliance with its mandates as a FAR Part 139 airport. Total operating expenses in FY 2021 amounted to \$34.5 million, a difference of 16.7% or approximately \$6.9 million less than the \$41.4 million spent in FY 2020. Contractual services accounted for \$14.9 million and 22.1% of operating expenses for the current fiscal year. The 28% decrease from the \$20.6 million spent in FY 2020 may be credited to the reduced level of services required by the Authority due to the reduction in airport activity. Personnel services saw a 2.0% drop from \$19.3 million the prior year to \$18.9 million in FY 2021. Expenditures for Materials and Supplies amounted to almost \$800 thousand in FY 2021, which was 47.5% less than the \$1.5 million spent in FY 2020.

Non-Operating Expenses

Non-operating expenses for FY 2021 amounted to \$3.5 million reflecting a decrease of 69.7% from the \$11.5 million accrued in FY 2020. This \$8.0 million in savings for FY 2021 was attributable to the successful sale of the 2021 Bonds that provided Net Present Value cost savings of \$3 million and reduction of debt service payments from \$13.7 million annually to \$8.1 million beginning in FY 2022.

\$4.2 million of miscellaneous non-operating expenses was recorded for FY 2021. This was 42.4% less than the \$7.4 million recorded in FY 2020. \$2.1 million is attributed to the conformance of GASB Statement No. 68, 73 and No. 75 regarding the requirement for recording other post-employment benefits for its active employees.

Full Time Employees

As of September 30, 2021, the Authority employed 199 full-time employees (FTEs).

Cost per Enplaned Passenger (CPE)

Given the current operating conditions and the continued suspension of services from the Authority's signatory airline partners, the actual CPE for FY 2021 more than doubled to \$49.32 per enplaned passenger, up 131.9% from the \$21.27 assessed in FY 2020. But the Authority, in continuously striving to provide a competitive cost structure for our airline partners while maintaining a superior and reliable level of airport services, absorbed the impact of the decrease in operational revenues in FY 2021 due to the COVID-19 pandemic, which avoided the need to impose the increase in airline rates and charges. This was achieved through prudent operational spending and leveraging COVID-19 Relief Act funding.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

Debt Service Coverage (DSC)

The Authority's Debt Service Coverage ("DSC") ratio requirement stipulated in the 2013, 2019 and 2021 bond covenants must equal to 1.25x. For FY 2021, the DSC was recorded at 1.51x, providing sufficient coverage beyond the 1.25x DSC ratio. The sale of the 2021 Bonds, along with the financial assistance provided by the federal government in FY 2021, gave the flexibility the Authority needed to ensure compliance with its bond covenants.

Airline Signatory Rates & Charges

The Signatory Airline Agreement is vital to the Authority and its signatory airline partners as it provides those airlines with the non-exclusive right to use airport facilities, equipment improvements and services, in addition to occupying certain exclusive use premises and facilities, at favorable rates. In return, the Authority, with the signatory airline partners as the guarantors, protects its financial position and ability to set rates and charges to cover its cost of operations.

Majority of the airlines operating at the Authority for FY 2021 are signatory airlines. To reiterate the importance of such agreements, signatory airlines historically comprise over 95% of passenger activity for the Authority and include the following carriers:

United Airlines, Air Seoul, China Airlines, Japan Airlines, Jeju Air, Jin Air, Korean Air, Philippine Airlines and T'way Air. All-Cargo operators include Asia Pacific Airlines, Federal Express, and UPS. Star Marianas and Arctic Circle also provide services to the CNMI from Guam utilizing aircraft weighing 12,500 pounds or lower on a scheduled and charter basis for passenger/cargo services.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

A summary of revenues for the years ended September 30, 2021, 2020, and 2019 and the amount and percentage of change in relation to prior year is provided below.

Revenues

ANTONIO B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM Management Discussion and Analysis Years ended September 30 Revenues							
	<u>2021</u>	2021 %	<u>2020</u>	2020 %	<u>2019</u>	2019 %	2021 % Increase (Decrease) from 2020
		<u>of Total</u>		<u>of Total</u>		<u>of Total</u>	
Arrival facilities	\$ 475,611	0.7%	\$ 3,166,630	4.2%	\$ 8,523,065	9.7%	-85.0%
Departure facilities	791,830	1.2%	3,320,638	4.4%	8,347,102	9.5%	-76.2%
Passenger loading bridge	1,309,725	1.9%	4,825,376	6.4%	5,674,619	6.5%	-72.9%
Landing fees	799,651	1.2%	2,948,497	3.9%	3,529,497	4.0%	-72.9%
Immigration	87,865	0.1%	1,141,757	1.5%	2,992,580	3.4%	-92.3%
Public apron	1,096,053	1.6%	1,255,161	1.7%	1,434,721	1.6%	-12.7%
Utility recovery charge and other fees	477,492	0.7%	630,898	0.8%	589,105	0.7%	-24.3%
Fuel flowage fee	261,792	0.4%	242,016	0.3%	251,570	0.3%	8.2%
Total facilities and use charges	\$ 5,300,019	7.7%	\$ 17,530,973	23.1%	\$ 31,342,259	35.8%	-69.8%
General merchandise	\$ 4,421,204	6.4%	\$ 8,983,541	11.9%	\$ 13,340,866	15.2%	-50.8%
Ground transportation	(5,287)	0.0%	1,869,800	2.5%	4,056,595	4.6%	-100.3%
Car rental	359,631	0.5%	826,033	1.1%	1,669,979	1.9%	-56.5%
Food and beverage	115,867	0.2%	577,059	0.8%	1,084,172	1.2%	-79.9%
In-flight catering	263,497	0.4%	557,166	0.7%	890,493	1.0%	-52.7%
Other	355,030	0.5%	664,102	0.9%	1,180,076	1.3%	-46.5%
Total concession fees	\$ 5,509,942	8.0%	\$ 13,477,701	17.8%	\$ 22,222,181	25.4%	-59.1%
Operating space - airline	\$ 2,797,620	4.1%	\$ 2,849,043	3.8%	\$ 4,268,780	4.9%	-1.8%
Operating space - non airline	4,060,166	5.9%	4,504,052	5.9%	4,778,328	5.5%	-9.9%
Other	3,696,941	5.4%	3,816,918	5.0%	3,774,344	4.3%	-3.1%
Total rental income	\$ 10,554,727	15.3%	\$ 11,170,013	14.7%	\$ 12,821,452	14.6%	-5.5%
Grants from the US Government	\$ 20,428,336	29.7%	\$ 15,094,077	19.9%	\$ 415,108	0.5%	35.3%
Grant from the Government of Guam	14,271	0.0%	8,069	0.0%	---	0.0%	76.9%
Miscellaneous	1,808,568	2.6%	982,110	1.3%	2,566,924	2.9%	84.2%
Total operating	\$ 43,615,863	63.4%	\$ 58,262,943	76.9%	\$ 69,367,924	79.2%	-25.1%
Interest income	\$ 762,933	1.1%	\$ 1,818,696	2.4%	\$ 2,472,913	2.8%	-58.1%
Passenger facility charge	270,964	0.4%	2,919,951	3.9%	7,362,377	8.4%	-90.7%
Grants from the US Government	22,340,926	32.5%	12,054,605	15.9%	7,766,386	8.9%	85.3%
Other	1,816,455	2.6%	684,436	0.9%	627,491	0.7%	165.4%
Total non-operating	\$ 25,191,278	36.6%	\$ 17,477,688	23.1%	\$ 18,229,167	20.8%	44.1%
Total revenues	\$ 68,807,141	100.0%	\$ 75,740,631	100.0%	\$ 87,597,091	100.0%	-9.2%

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

Expenses

A summary of expenses for the years ended September 30, 2021, 2020, and 2019 and the amount and percentage of change in relation to prior year is as follows:

ANTONIO B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM							
Management Discussion and Analysis							
Years ended September 30							
Expenses							
	<u>2021</u>	2021 % of Total	<u>2020</u>	2020 % of Total	<u>2019</u>	2019 % of Total	2021 % Increase (Decrease) from 2020
Contractual services	\$ 14,857,167	22.1%	\$ 20,647,465	25.7%	\$ 25,529,975	30.3%	-28.0%
Personnel services	18,886,492	28.1%	19,272,274	24.0%	18,131,871	21.5%	-2.0%
Materials and supplies	<u>799,951</u>	1.2%	<u>1,524,753</u>	1.9%	<u>1,236,584</u>	1.5%	-47.5%
Total operating expenses	<u>\$ 34,543,610</u> ▲	51.4%	<u>\$ 41,444,492</u> ▲	51.7%	<u>\$ 44,898,430</u>	53.2%	-16.7%
Depreciation and amortization	<u>\$ 29,198,113</u>	43.4%	<u>\$ 27,236,732</u>	34.0%	<u>\$ 28,071,896</u>	33.3%	7.2%
Non-Operating:							
Interest expense	\$ (756,281)	-1.1%	\$ 4,150,792	5.2%	\$ 7,528,494	8.9%	-118.2%
Other	<u>4,237,712</u>	6.3%	<u>7,357,017</u>	9.2%	<u>3,826,046</u>	4.5%	-42.4%
Total non-operating expenses	<u>\$ 3,481,431</u>	5.2%	<u>\$ 11,507,810</u>	14.4%	<u>\$ 11,354,540</u>	13.5%	-69.7%
Total expenses	<u>\$ 67,223,154</u>	100.0%	<u>\$ 80,189,034</u>	100.0%	<u>\$ 84,324,865</u>	100.0%	-16.2%
Total full time employees	199		202		203		-1.5%

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

E. Cost per Enplaned Passenger and Debt Service Coverage

Cost per Enplaned Passenger

A summary of the cost per enplaned passenger for the years ended September 30, 2021, 2020, and 2019 and the amount and percentage of change in relation to prior year is as follows:

ANTONIO B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM
ACTUAL NET REVENUES AND ANNUAL DEBT SERVICE
Years ended September 30
Cost Per Enplaned Passenger

	<u>2021</u>	<u>2021</u> <u>% of Total</u>	<u>2020</u>	<u>2020</u> <u>% of Total</u>	<u>2019</u>	<u>2019</u> <u>% of Total</u>
Airport Revenues						
Signatory Airline rentals and fees	\$ 6,158,049	13.8%	\$ 18,685,176	29.8%	\$ 34,040,355	43.6%
Revenue from sources other than Signatory Airline rentals and fees	17,015,209	38.2%	24,509,378	39.2%	34,912,461	44.7%
Passenger Facility Charge revenue	270,964	0.6%	2,919,951	4.7%	7,362,377	9.4%
Operating Grants	20,442,607	45.9%	15,102,148	24.1%	415,108	0.5%
Interest Income not related to construction	<u>618,953</u>	1.4%	<u>1,383,256</u>	2.2%	<u>1,326,717</u>	1.7%
Airport Revenues	\$ 44,505,782	100.0%	\$ 62,599,909	100.0%	\$ 78,057,018	100.0%
		%		%		
		Change		Change		
Signatory Airline enplaned passengers	124,856	-85.8%	878,436	-53.2%	1,875,879	
Signatory Airline cost per enplaned passenger	\$49.32	131.9%	\$21.27	17.2%	\$18.15	

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

E. Cost per Enplaned Passenger and Debt Service Coverage, continued

Debt Service Coverage

Under the Bond Indenture for the issuance of the 2013, 2019, and 2021 General Revenue Bonds, the Authority is required to maintain minimum debt service coverage of 1.25x in relation to net revenues versus annual debt service. A summary of the annual debt service coverage for the years ended September 30, 2021, 2020, and 2019 is as follows:

ANTONIO B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM			
ACTUAL NET REVENUES AND ANNUAL DEBT SERVICE			
Years ended September 30			
Debt Service Coverage			
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Airport Revenues	\$ 44,505,782	\$ 62,599,909	\$ 78,057,017
Less: Operation and Maintenance Expenses	<u>(35,767,648)</u>	<u>(42,659,019)</u>	<u>(44,991,443)</u>
Net Revenues	\$ 8,738,134	\$ 19,940,890	\$ 33,065,574
Plus: Other Available Moneys	<u>1,729,676</u>	<u>3,393,565</u>	<u>5,968,250</u>
Net Revenues and Other Available Moneys	<u>\$ 10,467,810</u>	<u>\$ 23,334,455</u>	<u>\$ 39,033,824</u>
<u>Rate Covenant</u>			
Net Revenues and Other Available Moneys	\$ 10,467,810	\$ 23,334,455	\$ 39,033,824
Total Annual Debt Service	\$ 6,918,703	\$ 13,574,260	\$ 23,873,000
Annual Debt Service Coverage	1.51	1.72	1.64
Debt service coverage requirement	1.25	1.25	1.25

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

F. Outlook for FY 2022

From Response to Recovery

As communities strive to restart their economies and recover from the adverse impacts of the COVID-19 pandemic, airports will be at the forefront and the driving force that will lead to economic recovery in their respective regions.

In its 2021 End of Year Report published by the International Air Transport Association (“IATA”), traffic for 2022 is expected to reach 61% of precrisis levels with travel costs held lower than pre-crisis levels to stimulate demand as global markets reopen. However, IATA is expecting slower growth in the Asia-Pacific markets. Nevertheless, the Authority stands prepared to assist its airline partners and other industry stakeholders and will work with them to promote air service development through incentives and development of new markets.

The Airport is a key essential facility to the island's tourism-driven economy and hub for Micronesia that provides connectivity from the region to the rest of the world. The Authority continues to be proactive in finding ways to help Guam's economy fly again. Before the COVID-19 pandemic, the Authority's average annual airport activity exceeded 3 million passenger movements, 20,000 metric tons of cargo, and more than 50,000 flight movements to 24 destinations to include Hawaii, Japan, Korea, China, Taiwan, Philippines, and Oceania. Guam's proximity within 3 to 5 hours of any major city in Asia and the Oceanic region makes the island an ideal vacation destination for tourists from these markets.

In order to get Guam “flying” in FY 2022, the Authority is focusing on restoring traveler confidence and continuously looking for ways to prepare Guam's only commercial airport to mitigate the pandemic's impact to its island economy now and into the future. The work that we have undertaken today, will help with the structural transformation that is needed to build a stronger and more resilient travel and tourism industry for tomorrow.

Pandemic Operational Modifications

As part of our mission to ensure a safe, secure, and healthy airport environment, the Authority is looking to adopt more permanent processes and protocols in light of the “new normal” brought on by the COVID-19 pandemic to mitigate or minimize transmission of any future pandemic outbreaks. The movement to a “contactless” airport to ensure passengers have a seamless, end-to-end travel experience is becoming more prevalent in the travel and tourism industries to minimize personal contact and adhere to social distancing requirements.

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

F. Outlook for FY 2022, continued

Some of the initiatives include the use of biometrics, facial recognition, voice-activated, and smartphone applications to facilitate passenger processing. Other initiatives have included or may include facility retrofits and equipment acquisitions to include but not be limited to:

1. Installation of thermal sensors at major entry points.
2. Installation of UV-C technology for disinfection of HVAC and people-movers (e.g., escalators, elevators, moving walkways).
3. Installation of permanent sneeze guards and hand sanitizer stations.
4. Acquisition of electrostatic sanitation equipment.
5. Deployment of portable air-purification systems to destroy COVID-19 or other airborne infectious agents.
6. Retrofit of quarantine/isolation area for individuals who test positive for COVID-19 or other infectious agents.
7. Acquisition and installation of signage reminding people to comply with pandemic protocols.
8. Retrofit of terminal restroom facilities with smart, touchless technology.

Moreover, the Authority will continue to work with our business and industry partners to: 1) create opportunities to increase flights to and from Japan, South Korea, Taiwan, and the region; 2) provide incentives were deemed necessary to induce more or retain existing airport activity; and 3) consider financial relief to airlines and other stakeholders to stimulate demand for travel to Guam while maintaining the Authority's financial viability.

The overall goal of the Authority in FY 2022 is to maintain the highest level of safety, security, and wellness for essential air services integral to our island and our regional communities' economic viability and recovery.

Sustainability Outlook

As the aviation industry moves from response to recovery, it remains a major component of the socio-economic development of the communities they serve. And while the journey to recovery may be uneven and intermittent, the industry must continue to grow and recover sustainably so that future generations may continue to explore, learn, trade, build markets, appreciate cultures, and connect with people the world over.

With the movement by the US government, IATA, Airports Council International, and other industry stakeholders toward a net-zero carbon emissions goal by 2050, emphasis will be for airlines to upgrade their fleets to newer and greener equipment, fly more efficient routes, use sustainable aviation fuels, and operate from environmentally responsible airports, through a more resilient and integrated airspace system.

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

F. Outlook for FY 2022, continued

The Authority will continue to include and tie sustainable development into its planning processes, particularly as it embarks on its master plan process. Developing a clear sustainable strategy to help guide, and not constrain, decision-making will position the Authority to access capital and grow without comprising its future generations. Through this systemic approach, the Authority will be able to understand and accommodate the needs of its stakeholders from a social, environmental, and economic perspective.

Reducing its carbon footprint while continuing development to optimize and increase capacity in a safe and healthy airport environment, will be key tenets of the Authority's sustainability strategy. From planning for capital improvement projects (to include the financing, design, construction, and operations), to enhancing the passenger experience by improving processes and efficiencies, to workforce development and community engagement, the Authority will establish a sustainable policy and drive initiatives that will preserve resources and achieve long-term sustainability.

Financial Outlook

Maintaining airport operations while providing a safe and secure traveling environment is paramount to the Authority's mission and mandate as a FAR Part 139 airport.

Operating revenues for FY 2022 are projected at \$69.7 million which includes an \$8.1 million in carry-over COVID-19 Relief Acts grant funding. Operating and Maintenance expenses are pegged at \$48.16 million. This will provide adequate levels of service and prioritizes the safety and security of the airport. The Authority will exercise its fiduciary responsibilities and diligently monitor and implement cost cutting measures without compromising airport safety and security. In addition, the Authority will only proceed with ongoing CIP projects and would only initiate new projects that are either federally funded or essential to primary airport functions.

Based on the FY 2022 budget as adopted, the Authority is expected to achieve a DSC of 2.92x versus 1.25x required by the Bond indentures. This robust coverage may be attributed to the reduced debt service requirements resulting from the sale of the 2021 Bonds. In addition, the Authority anticipates a \$20.81 CPE for FY 2022, which is based on the projected forecast of traffic and activity at the airport by our signatory airline partners. As the COVID-19 pandemic continues to impact airport activity, the Authority is anticipating the receipt of up to \$15 million from the American Rescue Plan Act from the Local Fiscal Recovery Funds provided by the government of Guam to help fill any revenue gaps and achieve these financial metrics. In addition, the Bipartisan Infrastructure Law ("BIL") passed in November 2021 is a once-in-a-generation investment to help modernize our nation's infrastructure and competitiveness. Under the BIL, the Authority is expected to receive \$30 million over the next five years to that will allow for the completion of capital improvement projects for a safer and more efficient airport.

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

F. Outlook for FY 2022, continued

Financial Outlook, continued

While the Authority remains hopeful of returning to pre-pandemic performance metrics, we will remain ever vigilant in managing our fiduciary responsibility as we move from response to recovery and settle into the “new normal” mode of operations in this COVID-19 environment. The Authority will continue to reassess and pursue revenue streams and any available grant funding opportunities to minimize the impacts on our signatory airline partners while proceeding with airport improvements. We remain resolute in our commitment to providing an effective, efficient, and competitive cost structure for our airline partners while maintaining a superior and reliable level of airport services. In addition, the Authority plans to only pursue capital improvement projects that are essential to maintaining airport operations and compliance with FAR Part 139.

Capital Improvement Program

FY 2022 will see many of the Authority's projects come to completion and is scheduled to host several ribbon cutting ceremonies. The following projects are scheduled for completion and opening within the 2nd and 3rd quarters of FY 2022:

Third Floor International Arrivals Corridor with Seismic Upgrades. This project is substantially completed and in the “punch list” phase to finish off any outstanding work items. It is partially operational and the final completion of this new international arrivals corridor provides the Authority a permanent solution to a federal mandate to separate arriving non-TSA-screened passengers from departing TSA-screened passengers, as well as seismic upgrades to the passenger terminal building infrastructure to support the new Third Floor International Arrivals Corridor. Total project costs are expected to be approximately \$138 million. Sources of funding for this project include proceeds from the Series 2013 Bonds, capital improvement funds and FAA entitlement grants.

Aircraft Rescue and Firefighting Facility. This project is currently under construction and is expected to be completed in FY 2022. The project consists of construction of a new aircraft rescue and firefighting facility that will improve response time to potential emergencies. Total project costs are expected to be approximately \$23.4 million. The Authority anticipates this project will be 90% funded with FAA discretionary funds and 10% funded with Authority funds.

Runway 6L/24R Rehabilitation. This project consists of two phases. The first phase includes the rehabilitation and reconstruction of over 1,550 linear feet of runway (Phase 1a) and the rehabilitation and reconstruction of an additional 1,450 linear feet of runway (Phase 1b). Phase 1a and Phase 1b are currently in progress and expected to be completed by April 2022. The second phase (Phase 2), which will include the rehabilitation of over 4,000 linear feet of runway previously constructed using PCC pavement, is expected to be completed by September 2022. Total project costs are expected to be approximately \$25 million. The Authority expects this project will be 90% funded with FAA funds and 10% funded with Authority funds.

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

F. Outlook for FY 2022, continued

Capital Improvement Program, continued

Master Plan Update. GIAA has commenced the process to update to its 2012 Master Plan and Airport Layout Plan ("ALP") that was conditionally approved in 2011. GIAA has transformed over the last seven years and its master plan needs to be updated to reflect current conditions, current projections of airport activity, new environmental and other regulatory factors, and to plan for future facilities and compatible land uses to support projected aeronautical and non-aeronautical needs for the long-term financial viability of the Airport. Additionally, the ALP must be updated along with GIAA's Capital Improvement Program to allow for strategic financial planning for continued development of Guam's only commercial airport. This project is 90% funded with FAA discretionary funds and 10% funded with Authority funds.

Projects in Planning Process

These are critical projects that are at least 90% federally funded or essential to the functions of the Authority:

Update the Part 150 Noise Study. This project will provide professional consulting services to conduct all facets of a FAR Part 150 Noise Compatibility Study for the A.B. Won Pat International Airport, Guam. The purpose of the proposed Part 150 Noise Compatibility Study is to develop updated noise exposure maps for land use planning and noise mitigation in and around Guam, and to provide updates to its Noise Compatibility Program. The Authority anticipates this project will be 90% funded with FAA discretionary funds and 10% funded with Authority funds.

Cargo Apron/Fuel System Extension. This project includes constructing a cargo apron and connecting taxiway and extending the Airport's fuel system to service the Integrated Air Cargo Facility located approximately one-half mile west of the air terminal. The Authority anticipates this project will be 90% funded with FAA discretionary funds and 10% funded with Authority funds.

Apron and Taxiway Rehabilitation. This project includes rehabilitating over 1.5 million square feet of parking/apron areas and the Kilo taxiway in front of the terminal and airfield. The project will enable the Airport to maintain its capacity and to increase the safety and efficiency of aircraft and ground support equipment operations, personnel activities, passenger movements and airport servicing. The Authority anticipates this project will be 90% funded with FAA discretionary funds and 10% funded with Authority funds.

Antonio B. Won Pat International Airport Authority, Guam
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Management's Discussion and Analysis, continued

F. Outlook for FY 2022, continued

Projects in Planning Process, continued

Residential Sound Solution Program (RSSP). This project is an ongoing FAA program that allows the Authority to provide for noise mitigation of residences located within the 65db range. The program is subject to federal funding limitations. The Authority has completed the preliminary screening of 70 homes that are eligible for this program. They will proceed with updating its Noise Compatibility Program which is a key component of the RSSP in hopes of proceeding with the sound proofing of homes in the near future as funding becomes available by the FAA. RFP announcement is expected to take place no later than the end of the 2nd quarter of FY 2021.

Replacement of Terminal Roofing System. The Authority intends to replace and improve the terminal area roof membrane that is not connected to the 3rd Floor International Arrivals Corridor for more energy efficiencies and cost savings and to mitigate any leaks or damage to roofing structure.

Runway 6R/24L Rehabilitation. This project will identify corrective action in conformance with AC 150/5320-6F for the rehabilitation of GIAA's 10,000-foot runway, 6R/24L, which consists of approximately 9,500+ linear feet of pavement constructed in the 1940s and '50s. Rehabilitation of this runway is paramount to the safety and efficiency of aircraft operating at Guam's only commercial airport and increase the Authority's pavements' useful life by repairing spalling of joints, cracks, rutting and other pavement deficiencies on pavement that was constructed using military specifications, post-WWII era.

Fire Alarm/Fire Suppression Infrastructure Update. This project is meant to update the Authority's fire alarm/fire suppression infrastructure to integrate all facilities under the Authority's jurisdiction into one centralized command and control system.

IT Infrastructure & Financial Management System. The Authority is interested in conducting an assessment of the various infrastructure, systems, and equipment, operational processes, and financial management and accounting processes in order to synergize, maintain, and manage through a fully integrated management system.

Zero Emissions Vehicles (ZEV). In line with the FAA's Modernization and Reform Act of 2012, this project will allow the Authority to improve air quality through reduced emissions at through the acquisition and operation of zero emissions vehicles (ZEVs). The study will identify the Authority's baseline conditions and determine the greatest air quality benefits and reduction of Nitrogen Oxides and Volatile Organic Compounds through the use of ZEVs. The study would also identify the Authority's ZEV needs and acquisition, and develop the A&E for the construction or modification of infrastructure to facilitate the delivery of fuel and services necessary for the use of such vehicles.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

F. Outlook for FY 2022, continued

Intragovernmental Coordination

The Authority will continue to work closely with other intra-government agencies to develop infrastructure that runs through and around the airport, necessary to increase island capacity and throughput. As previously discussed, these projects include:

Tiyan Parkway (Phase II). This project requires close coordination with the Department of Public Works ("DPW") and the Department of Land Management to acquire and develop property for a major thoroughfare that would alleviate major congestion of Guam's roadway systems of Route 1, 8 and 16.

Expansion of Route 10A (Airport Access Road). This project is being coordinated with DPW that would expand Route 10A and provide for airport by-pass roadway system to increase capacity and facilitate traffic more efficiently.

Landscaping of Major Thoroughfares. This project would entail the landscaping of Route 10A and the Tiyan Parkway to provide a scenic corridor that would lead intuitively to the A.B. Won Pat International Airport, Guam.

Stormwater Runoff and Drainage Improvements. Part of the construction of the Tiyan Parkway will include the construction of a major ponding basin to manage storm water runoff from the Parkway as well as the Authority's storm water runoff. Moreover, it will replace existing drainage systems away from the Authority's runways and off of its Airport Operations Area.

Guam Waterworks Authority ("GWA") Issues. The Authority is working closely with GWA to coordinate the following while preventing any of violation of the Quitclaim deed for the transfer of properties from the federal government, its bond covenants under the 2013 Bond issuance, and the grant assurances to the respective governmental agencies, mainly the FAA: 1) the transfer of property to allow GWA to proceed with its court-ordered mandate for the installation of a two-million-gallon tank to service their Tamuning-Tumon-Harmon customers; and 2) the installation of water infrastructure to include transmission and distribution lines and wastewater systems for residents located in the former Naval Air Station Hagåtña Officer Housing area. This would provide the Authority the ability to cap and seal the existing infrastructure used for the transmission and distribution of water that is located beneath the Authority's primary runway without disrupting services to residences located in this area.

Management's Discussion and Analysis, continued

F. Outlook for FY 2022, continued

Workforce Capacity Development & Succession Planning

The management and operations of Guam's only commercial airport have always been a complex process. The challenges the Authority faces today amid a very competitive aviation industry and the pressure from airlines, both legacy and low-cost operators, is resulting in a far more competitive environment between airports. Operational efficiency needs to be taken to a more advantageous cost base without compromising growth and quality, or an airport's safety and security. This requires personnel adept at managing these processes.

Within the next 3-5 years, 10-20% of the Authority's employees will be eligible for retirement, many of them in key essential positions. Considering the increase in operations, the magnitude of the workload and the myriad of responsibilities the Authority has, it is imperative to develop its core workforce to maintain the high standards and quality in the daily operations of Guam's only commercial airport and the lifeline to its tourism-driven economy.

Workforce development and succession planning is an integral part of the Authority's strategic management process. It will connect to its long-term goals and objectives, help mitigate risk associated with turnover, and develop personnel to meet future organizational needs. Moreover, it will provide the Authority a strategically planned approach and framework for its workforce development and succession plan for the management of Guam's only commercial airport. The projected goals and objectives of the Workforce Development and Succession Planning study will include but is not limited to:

1. Determine pivotal positions
2. Identify and prepare immediate backup to fill short-term vacancies in pivotal positions
3. Develop viable internal candidates for future vacancies
4. Project future staffing needs and competency requirements based on organizational goals and workforce trends and predictions
5. Identify obsolete or declining functions
Develop promising leaders

Concession Program

The Authority will be seeking firms to develop, market, lease, and manage its food and beverage concessions throughout the Airport. As the regional airport leader, the Authority is looking forward to enhancing its food and beverage services and seeking firms that can provide first-class service and quality food and beverage service to Airport consumers primarily through locally, regionally, or nationally branded concepts; provide innovative food and beverage service concepts offering broad customer appeal; provide prompt, timely service, and product delivery to the traveling public; offer competitive food and beverage service pricing; enhance the friendliness and convenience of services provided at the Airport; and optimize concession revenues to the Airport.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

F. Outlook for FY 2022, continued

Conclusion

With more than \$2.3 billion in direct, indirect or induced economic activity for our island community, the Authority is a key economic driver for Guam and the Micronesian region. As Guam and the rest of the world move toward recovery from the COVID-19 pandemic, the Authority will continue to develop Guam's only commercial airport, managing the ongoing capital improvement projects, minimize operational disruptions and strive to maintain a superior level of airport services, safely, securely, efficiently, and effectively. This will ensure the Authority remains a regional leader in aviation and major player in the Asia/Pacific region.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30,	
	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Unrestricted assets:		
Cash (<i>Note 3</i>)	\$ 1,489,947	\$ 2,395,641
Passenger facility charge cash (<i>Note 3</i>)	4,352	3,707
Accounts receivable, trade, net of allowance for doubtful accounts of \$364,000 at September 30, 2021 (\$648,703 at September 30, 2020) (<i>Note 3</i>)	5,401,928	6,151,600
Accounts receivable from tenant (<i>Notes 3 and 9</i>)	129,600	129,600
Passenger facility charge receivables (<i>Note 3</i>)	100,355	23,456
Receivables from the United States Government	5,957,810	1,264,148
Inventory and other	157,998	189,944
	<u>13,241,990</u>	<u>10,158,096</u>
Total unrestricted current assets		
Restricted assets:		
Customs fees, cash (<i>Note 3</i>)	---	45,944
Customs fees, receivable (<i>Note 12</i>)	300,544	343,445
	<u>300,544</u>	<u>389,389</u>
Total restricted assets		
	<u>13,542,534</u>	<u>10,547,485</u>
Total current assets		
Accounts receivable from tenant, unrestricted (<i>Notes 3 and 9</i>)	<u>248,400</u>	<u>378,000</u>
General Revenue Bonds (<i>Note 7</i>)		
Investments and cash with trustees, unrestricted	40,430,483	73,387,986
Investments and cash with trustees, restricted	25,983,877	26,325,753
	<u>66,414,360</u>	<u>99,713,739</u>
Depreciable capital assets, net (<i>Notes 4 and 11</i>)	368,663,138	239,369,273
Non-depreciable capital assets (<i>Notes 4 and 11</i>)	120,992,157	227,316,604
Avigation easements (<i>Note 4</i>)	5,292,992	6,569,171
Deferred outflows of resources:		
Deferred differences on refunding of 2019 and 2021 bonds (<i>Note 5</i>)	14,581,473	563,580
Pension (<i>Note 8</i>)	7,135,101	6,144,079
Other postemployment benefits (<i>Note 8</i>)	18,247,009	22,989,995
	<u>39,963,583</u>	<u>29,697,654</u>
Total deferred outflows of resources		
	<u>615,117,164</u>	<u>613,591,926</u>
Total assets and deferred outflows of resources		

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Statements of Net Position, continued

	September 30,	
	<u>2021</u>	<u>2020</u>
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable - trade	\$ 2,784,569	\$ 3,617,570
Accounts payable - construction	13,756,249	17,150,314
Other liabilities (Note 11)	4,332,166	5,172,180
Security deposits	2,318,256	2,282,887
Current portion of annual leave (Note 10)	444,348	446,556
Current portion of long-term loan payable to bank (Notes 6 and 10)	<u>1,407,853</u>	<u>1,329,368</u>
Total payable from unrestricted assets	<u>25,043,441</u>	<u>29,998,875</u>
Payable from restricted assets:		
Customs fees payable to Treasurer of Guam (Note 12)	300,915	546,665
General Revenue Bonds:		
Current installments (Notes 5 and 10)	---	3,850,000
Accrued interest	<u>2,060,623</u>	<u>4,952,831</u>
Total payable from restricted assets	<u>2,361,538</u>	<u>9,349,496</u>
Total current liabilities	<u>27,404,979</u>	<u>39,348,371</u>
Non-current liabilities:		
Payable from unrestricted assets:		
Accrued sick leave (Notes 8 and 10)	180,477	170,705
Long-term portion of annual leave (Note 10)	1,212,351	1,046,731
Long-term loan payable to bank (Notes 6 and 10)	2,071,227	3,472,248
Net pension liability (Notes 8 and 10)	36,164,090	35,303,294
Collective total other postemployment benefit liability (Notes 8 and 10)	45,366,213	63,444,611
Payable from restricted assets:		
Long-term bonds payable, less current installments:		
General Revenue Bonds (Notes 5 and 10)	<u>191,280,700</u>	<u>175,388,190</u>
Total non-current liabilities	<u>276,275,058</u>	<u>278,825,779</u>
Total liabilities	<u>303,680,037</u>	<u>318,174,150</u>
Deferred inflows of resources:		
Deferred differences on refunding of 2013 bonds (Note 5)	36,497	71,502
Pension (Note 8)	704,214	727,875
Other postemployment benefits (Note 8)	<u>28,800,329</u>	<u>14,306,299</u>
Total deferred inflows of resources	<u>29,541,040</u>	<u>15,105,676</u>
Commitments and contingencies (Notes 5, 6, 9 and 11)		
Net position:		
Net investment in capital assets	314,733,483	289,707,320
Restricted for:		
Capital projects (Notes 4 and 11)	25,983,877	26,325,753
Debt service (Notes 5 and 7)	(2,060,623)	(4,952,831)
Unrestricted	<u>(56,760,650)</u>	<u>(30,768,142)</u>
Total net position	<u>\$ 281,896,087</u>	<u>\$ 280,312,100</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2021</u>	<u>2020</u>
Revenues (Note 5):		
Rental income (Note 9)	\$ 10,554,727	\$ 11,170,013
Concession fees (Notes 3 and 9)	5,509,942	13,477,701
Facilities and systems usage charges (Note 3)	5,300,019	17,530,973
Miscellaneous	1,808,568	982,110
	<u>23,173,256</u>	<u>43,160,797</u>
Operating costs and expenses:		
Personnel services	18,886,492	19,272,276
Contractual services (Notes 9 and 11)	14,857,167	20,647,465
Materials and supplies	799,951	1,524,757
	<u>34,543,610</u>	<u>41,444,498</u>
Total operating costs and expenses		
(Loss) income from operations before depreciation and amortization	(11,370,354)	1,716,299
Depreciation and amortization	(29,198,113)	(27,236,732)
Operating loss	(40,568,467)	(25,520,433)
Non-operating revenues (expenses):		
Grants from the United States Government	20,428,336	15,094,077
Interest income	762,933	1,818,696
Interest expense	756,281	(4,150,792)
Passenger facility charge income	270,964	2,919,951
Grant from Government of Guam - Office of Highway Safety (OHS)	14,271	8,069
Other expenses, net	(2,421,257)	(6,533,361)
Non-recurring expenses	---	(139,220)
	<u>19,811,528</u>	<u>9,017,420</u>
Total non-operating revenues, net		
Loss before capital grants	(20,756,939)	(16,503,013)
Capital grants from the United States Government	<u>22,340,926</u>	<u>12,054,605</u>
Increase (decrease) in net position	1,583,987	(4,448,408)
Net position at beginning of year	<u>280,312,100</u>	<u>284,760,508</u>
Net position at end of year	<u>\$ 281,896,087</u>	<u>\$ 280,312,100</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Statements of Cash Flows

	Year ended September 30,	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from customers	\$ 23,229,972	\$ 42,259,727
Cash paid to suppliers for goods and services	(21,954,891)	(18,066,638)
Cash paid to employees	(18,867,195)	(19,235,406)
Cash received from fiduciary activities	655,076	6,383,938
Cash paid for fiduciary activities	---	(5,938,624)
Other operating cash receipts	<u>14,271</u>	<u>8,069</u>
Net cash (used in) provided by operating activities	(<u>16,922,767</u>)	<u>5,411,066</u>
Cash flows from investing activities:		
Proceeds from sale of investments	33,299,379	31,063,779
Investment interest income	<u>356,510</u>	<u>841,676</u>
Cash provided by investing activities	<u>33,655,889</u>	<u>31,905,455</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of airport facilities and avigation easement	(42,972,398)	(39,852,354)
Principal payment on 2013 and 2019 General Revenue Bonds	(3,850,000)	(12,605,000)
Interest paid on 2013 and 2019 General Revenue Bonds	(9,809,912)	(10,405,429)
Other financing source - refunding bonds	143,430,000	38,996,243
Other financing use - payment to refunded bond escrow agent	(141,183,965)	(41,925,068)
Principal payment on loan payable to bank	(1,322,536)	(1,247,025)
Interest paid on loan payable to bank	(244,969)	(320,479)
Passenger facility charge receipts	194,065	3,861,113
U.S. Government capital and operating grants	<u>38,075,600</u>	<u>26,018,868</u>
Net cash used in capital and related financing activities	(<u>17,684,115</u>)	(<u>37,479,131</u>)
Net decrease in cash	(950,993)	(162,610)
Cash at beginning of year	<u>2,445,292</u>	<u>2,607,902</u>
Cash at end of year	\$ <u><u>1,494,299</u></u>	\$ <u><u>2,445,292</u></u>
Consisting of:		
Unrestricted	\$ 1,494,299	\$ 2,399,348
Restricted - current	<u>---</u>	<u>45,944</u>
	\$ <u><u>1,494,299</u></u>	\$ <u><u>2,445,292</u></u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2021</u>	<u>2020</u>
Reconciliation of operating loss and other expenses to net cash provided by operating activities:		
Operating loss	\$(40,568,467)	\$(25,520,433)
Other and non-recurring expenses	(<u>2,406,986</u>)	(<u>6,664,512</u>)
	(<u>42,975,453</u>)	(<u>32,184,945</u>)
Adjustments to reconcile operating loss and other expenses to net cash provided by operating activities:		
Depreciation and amortization	29,198,113	27,236,732
Non-cash OPEB cost	1,650,592	5,720,640
Non-cash pension costs	3,281,813	3,421,072
Bad debt expense	278,209	33,759
Increase in assets:		
Accounts receivable	514,364	911,400
Inventory and other	31,946	174,653
Accounts receivable from tenant	129,600	129,600
Increase (decrease) in liabilities:		
Accounts payable	(4,472,816)	3,753,730
Other current liabilities	(840,014)	134,158
Security deposits and unearned income	35,369	(36,820)
Annual leave	163,412	255,029
Sick leave	9,772	22,595
Collective total OPEB liability	(491,974)	(498,711)
Net pension liability	(<u>3,435,700</u>)	(<u>3,661,826</u>)
Total adjustments	<u>26,052,686</u>	<u>37,596,011</u>
Net cash (used in) provided by operating activities	\$ (<u>16,922,767</u>)	\$ <u>5,411,066</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Years ended September 30, 2021 and 2020

1. Organization and Summary of Accounting Policies

Organization

The Antonio B. Won Pat International Airport Authority, Guam, (the Authority), was created by Public Law 13-57 (as amended) as a component unit of the Government of Guam to own and operate the facilities of the Guam International Air Terminal, located at Tiyan, Guam. It is charged with the acquisition, construction, operation and maintenance of the airport and related facilities for civil aviation on Guam. The Authority supports its operations through landing fees and charges for the use of its facilities and through rentals under concessionaire agreements.

Basis of Accounting

The Authority utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Net Position

Net position represents the residual of all other elements presented in the statement of net position and is presented in the following categories:

Net investment in capital assets

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted

Nonexpendable – Net position subject to externally imposed stipulations that require the Authority to maintain them permanently.

Expendable – Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire with the passage of time.

All of the Authority's restricted net position at September 30, 2021 and 2020 is expendable.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Net Position, continued

Unrestricted

The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

Cash

For the purpose of the statement of cash flows, cash is defined as cash on hand and in banks. Cash on hand and in banks include passenger facility charge cash and customs fees, cash.

Accounts Receivable

Accounts receivable are primarily due from airlines utilizing the Authority's airport terminal facilities and various business establishments located in Guam. The Authority performs periodic credit evaluations of its customers, and generally does not require collateral. Receivables are considered past due when payment is not received within 90 days from the date of billing. The Authority accrues finance charges on past due receivables. Receivables are stated net of estimated allowances for doubtful accounts.

The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts and charged as a reduction of revenues.

Inventory

Inventory is recorded at the lower of cost (using first-in, first-out method) or market value.

Investments

Investments and related investment earnings are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Bond Premium and Discount

Bond premium and discount are amortized on a weighted-average basis over the life of the bond issue. Bonds payable are reported net of bond premium and discount.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Capital Assets and Depreciation and Amortization

Capital assets, whether purchased or constructed, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of airport facilities and amortization of improvements has been computed by the straight-line method using estimated useful lives of 5 to 35 years for buildings and 3 to 10 years for equipment.

The Authority capitalizes buildings, land improvements and equipment that have a cost of \$5,000 or more and an estimated useful life of at least three years. The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the lives of the assets are not capitalized.

The costs of issuing bonds to finance construction of airport facilities have been capitalized and are being amortized on a weighted-average basis over the lives of the bonds outstanding.

Capitalization of Interest

The Authority charges to construction-in-progress interest incurred during the period of construction. Interest is capitalized for all projects which are not constructed with the proceeds of tax exempt bonds or grant funds. Interest capitalization ceases when constructed facilities are placed in service.

Avigation Easements

Avigation easements are property rights acquired by the Authority whenever land use around the Guam International Air Terminal needs to be controlled or when air rights are required. The Authority capitalizes the cost incurred for air rights and is amortized over 15 years using the straight-line method.

Impairment of Capital Assets

In accordance with GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* the Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Compensated Absences

In accordance with Public Law 27-005 and Public Law 28-068, employees vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service as follows:

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service.
2. Three-fourths day (6 hours) for each full bi-weekly pay period in the case of employees with more than five (5) years of service but less than fifteen (15) years of service.
3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with more than fifteen (15) years of service.

The statutes reduce the maximum accumulation of such vacation credits from 480 to 320 hours. Public Law 27-106 amended subsection (c) of 4 Guam Code Annotated § 4109. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over the excess shall be lost.

Accrued annual leave up to 320 hours is converted to pay upon termination of employment. Amounts to be paid during the next fiscal year are reported as current.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Authority recognizes a net pension liability for the pension plan in which it participates, which represents the Authority's proportionate share of total pension liability (actuarially calculated) over the pension plan assets, measured as of the fiscal year end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of the Guam International Air Terminal. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, Passenger Facility Charges and certain other non-recurring income and expenses.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Other Post-employment Benefits

Other post-employment benefits (OPEB) are required to be recognized and disclosed using the accrual basis of accounting. The Authority recognizes a collective total OPEB liability for the OPEB plan in which it participates, which represents the Authority's proportionate share of collective total OPEB liability (actuarially calculated) measured as of the fiscal year end. Changes in the collective total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. As required by GASB Statements No. 68, 71, 73 and 75, the Authority reports deferred outflows of resources for pension-related and OPEB-related amounts: payments since the measurement date, changes in assumptions, and for differences between projected and actual earnings.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources until then. As required by GASB Statements No. 68, 73 and 75, the Authority reports deferred inflows of resources for pension-related and OPEB-related amounts: for its share of the difference between expected and actual earnings, for its share of the difference between its contributions and its proportionate share of contributions, and for the difference between expected and actual experience. The Authority also reports deferred inflows of resources for the difference between the carrying amount and the reacquisition price of refunded bonds.

Passenger Facility Charges

Passenger Facility Charges (PFC) generate income to be expended by the Authority for eligible projects and the payment of debt service on the General Revenue Bonds as determined by applicable federal legislation. PFC income is recorded as non-operating income in the statements of revenues, expenses and changes in net position. Air carriers collect PFC's from passengers on behalf of the Authority at the time of air travel ticket issuance. The air carriers are responsible for all PFC funds from the time of collection to remittance to the Authority. In addition, the air carriers must provide quarterly reports to the Authority showing the total amounts of PFC revenues collected and refunded, as well as any amounts withheld by the air carrier as collection compensation. The completeness of the PFC receipts reflected in the quarterly schedule is the responsibility of the air carrier.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Environmental Costs

In accordance with GASB Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, liabilities for future remediation and monitoring costs are recorded when environmental assessments and/or remedial and monitoring efforts are probable and the costs can be reasonably estimated. These liabilities are not reduced by possible recoveries from third parties, and projected cash expenditures are not discounted.

Pollution remediation liabilities are measured using the expected cash flow technique, which measures the liability as the sum of the probability-weighted amounts in a range of possible estimated amounts-the estimated mean or average.

Risk Management

The Authority is exposed to various risks of loss; theft of, damage to, and destruction of assets; operation and environmental liability; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is provided for claims arising from most of these matters. The Authority has procured catastrophic insurance, as discussed in Note 11.

Recently Adopted Accounting Pronouncement

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities.

The Authority has applied the exception for reporting fiduciary activities of business-type activities for fiduciary assets expected to be held for less than three months. Accordingly, the Authority recognizes a corresponding liability related to the fiduciary assets in its statement of net position. The adoption of this statement did not have an impact on the Authority's financial statements.

Upcoming Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for fiscal year ending September 30, 2023.

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; clarifying the definition of reference rate, as it is used in Statement 53, as amended. GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

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Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

The Authority is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

2. Subsequent Events

The Authority has evaluated subsequent events through March 16, 2022, which is also the date the financial statements were available to be issued.

3. Deposit Risk and Major Customers

The Authority maintains its cash in bank accounts, which at times may exceed federal depository insurance limits. At September 30, 2021 and 2020, \$250,000 of the Authority's deposits in each bank is covered by federal depository insurance, with the remainder being uninsured and uncollateralized.

A primary concessionaire accounted for 21% and 22% of total operating revenues for the years ended September 30, 2021 and 2020, respectively. Receivables from the primary concessionaire totaled \$133,370 and \$585,953 at September 30, 2021 and 2020, respectively.

For the years ended September 30, 2021 and 2020, approximately 27% and 23%, respectively, of the Authority's total operating revenues, including passenger facility charge income, were derived from one airline customer. At September 30, 2021 and 2020, the receivable from this airline customer totaled \$755,321 and \$1,644,882, respectively.

Concentration of credit risk with respect to the remaining accounts receivable which are due primarily from other various airlines, concessionaires and tour operators is limited due to the large number of customers comprising the Authority's customer base.

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

4. Airport Facilities

A summary of changes in capital assets for the year ended September 30, 2021 is as follows:

	Beginning Balance <u>October 1, 2020</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance September 30, <u>2021</u>
Depreciable capital assets:				
Terminal building	\$410,165,711	\$ ---	\$156,969,066	\$567,134,777
Other buildings	121,298,095	119,324	---	121,417,419
Airfield area	172,633,680	---	---	172,633,680
Apron area	28,632,976	---	---	28,632,976
Terminal area	24,748,708	---	127,411	24,876,119
Support facilities	<u>10,427,185</u>	<u>---</u>	<u>---</u>	<u>10,427,185</u>
Total capital assets				
depreciated	767,906,355	119,324	157,096,477	925,122,156
Less accumulated				
depreciation	<u>(528,537,082)</u>	<u>(27,921,936)</u>	<u>---</u>	<u>(556,459,018)</u>
	<u>\$239,369,273</u>	<u>\$(27,802,612)</u>	<u>\$157,096,477</u>	<u>\$368,663,138</u>
Non-depreciable capital assets:				
Land	\$ 61,832,623	\$ ---	\$ ---	\$ 61,832,623
Construction-in-progress	<u>165,483,981</u>	<u>50,772,030</u>	<u>(157,096,477)</u>	<u>59,159,534</u>
	<u>\$227,316,604</u>	<u>\$ 50,772,030</u>	<u>\$(157,096,477)</u>	<u>\$120,992,157</u>

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

4. Airport Facilities, continued

A summary of changes in capital assets for the year ended September 30, 2020 is as follows:

	Beginning Balance October 1, 2019	<u>Additions</u>	Transfers and Deletions	Ending Balance September 30, 2020
Depreciable capital assets:				
Terminal building	\$410,165,711	\$ ---	\$ ---	\$410,165,711
Other buildings	121,076,459	135,938	85,698	121,298,095
Airfield area	172,633,680	---	---	172,633,680
Apron area	28,632,976	---	---	28,632,976
Terminal area	24,748,708	---	---	24,748,708
Support facilities	<u>10,403,335</u>	<u>23,850</u>	<u>---</u>	<u>10,427,185</u>
Total capital assets				
depreciated	767,660,869	159,788	85,698	767,906,355
Less accumulated				
depreciation	<u>(502,576,529)</u>	<u>(25,960,553)</u>	<u>---</u>	<u>(528,537,082)</u>
	<u>\$265,084,340</u>	<u>\$(25,800,765)</u>	<u>\$ 85,698</u>	<u>\$239,369,273</u>
Non-depreciable capital assets:				
Land	\$ 61,832,623	\$ ---	\$ ---	\$ 61,832,623
Construction-in-progress	<u>119,636,747</u>	<u>45,996,648</u>	<u>(149,414)</u>	<u>165,483,981</u>
	<u>\$181,469,370</u>	<u>\$ 45,996,648</u>	<u>\$(149,414)</u>	<u>\$227,316,604</u>

The Authority acquired avigation easements from surrounding residential homeowners in exchange for the cost of installing residential sound insulation. Construction-in-progress at September 30, 2021 and 2020 included \$1,089,285 of costs associated with the residential sound insulation program. At September 30, 2021 and 2020, the Authority's avigation easements (net of amortization) amounted to \$5,292,992 and \$6,569,171, respectively, and are shown as avigation easements in the accompanying statements of net position.

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Notes to Financial Statements, continued

4. Airport Facilities, continued

On September 30, 2005, the Authority entered into a quitclaim deed with the Government of Guam, wherein the Government of Guam transferred a parcel of land with an appraised value of \$2,530,000 to the Authority. The deed was entered into in response to a request by the Federal Aviation Administration (FAA) that the Authority seek reimbursement of \$564,702 in unresolved federal program questioned costs as of September 30, 2004. The \$2,530,000 is included as a component of capital assets in the accompanying statements of net position. Due to numerous uncertainties surrounding the Tiyan properties, the Authority has noted that it may elect to utilize the excess contribution from the land transfer to offset any subsequent obligations by the Government of Guam if so determined by the federal government.

Interest capitalized for the years ended September 30, 2021 and 2020 totaled \$7,918,954 and \$6,240,366 , respectively.

Airport facilities are located on approximately 236 acres. The Authority has no cost basis in 212 acres of this property; the remaining 24 acres have a cost basis of \$3,014,194.

In September 2000, the United States Navy (Navy) transferred approximately 1,417 acres of property surrounding the Airport facilities to the Authority and the Government of Guam at no cost. This land is recorded at its appraised value of \$51,210,000 (at September 2000) and is included as a component of capital assets in the accompanying statements of net position. In fiscal year 2001, the Navy paid the Authority \$10,000,000 (see Note 11) and the Authority and the Government of Guam assumed the responsibility for the completion of certain environmental response actions on the property.

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

5. Long-Term Revenue Bonds Payable

Long-term revenue bonds payable at September 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
General revenue bonds, Series 2013 (original issue of \$247,335,000):		
Varying interest rates (3% - 6.375%) payable semiannually in October and April, principal payments due in varying annual installments with \$1,985,000 due in October 2028	\$ 43,500,000	\$139,355,000
General revenue bonds, Series 2019 (original issue of \$37,045,000):		
Varying interest rates (3% - 5%) payable semiannually in October and April, principal payment of \$3,900,000 due in October 2024	3,900,000	37,045,000
General revenue bonds, Series 2021 (original issue of \$143,430,000):		
Varying interest rates (2.5% - 4.5%) payable semiannually in October and April, principal payments due in varying annual installments with \$10,700,000 due in October 2025	<u>143,430,000</u>	<u>---</u>
Total	190,830,000	176,400,000
Less current installments	<u>---</u>	<u>3,850,000</u>
	190,830,000	172,550,000
Add net unamortized premium on bonds	<u>450,700</u>	<u>2,838,190</u>
	<u>\$191,280,700</u>	<u>\$175,388,190</u>

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

5. Long-Term Revenue Bonds Payable, continued

Future bond principal and mandatory sinking fund installments payable by the Authority to the bond trustees are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2022	\$ ---	\$ 3,423,023	\$ 3,423,023
2023	---	8,074,221	8,074,221
2024	---	8,074,221	8,074,221
2025	3,900,000	8,074,221	11,974,221
2026	10,700,000	7,952,034	18,652,034
2027-2031	58,360,000	34,609,958	92,969,958
2032-2036	47,810,000	22,789,939	70,599,939
2037-2041	40,630,000	13,411,686	54,041,686
2042-2044	<u>29,430,000</u>	<u>2,843,966</u>	<u>32,273,966</u>
	<u>\$190,830,000</u>	<u>\$109,253,269</u>	<u>\$300,083,269</u>

2013 Bonds

On September 12, 2013, the Authority issued \$247,335,000 General Revenue Bonds (collectively, the “2013 Bonds”) as follows:

- 2013 Series A (Non-AMT) \$ 14,620,000
 - 2013 Series B (Non-AMT) 33,675,000
 - 2013 Series C (AMT) 199,040,000
- \$247,335,000

The 2013 Bonds were obtained for the following:

- a. refunding of all of the Authority’s outstanding Series 2003 Bonds;
- b. financing additions, extensions and improvements to the Airport;
- c. funding the 2013 Bond Reserve Account; and
- d. paying expenses incurred in connection with the issuance of the 2013 Bonds.

The aggregate purchase price was \$247,540,014 (the purchase price); representing the principal amount of the 2013 Bonds, plus a net original issue premium of \$2,891,161 and less an underwriters’ discount and insurance of \$2,686,147. Interest on the 2013 Bonds will be payable on April 1 and October 1 of each year.

The 2013 Bonds bear interest at rates from 3% to 6.375% and mature on October 1, 2023 for the 2013 Series A (Non-AMT) and on October 1, 2043 for the 2013 Series B (Non-AMT) and 2013 Series C (AMT).

The 2013 Bonds are subject to redemption prior to maturity date.

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

5. Long-Term Revenue Bonds Payable, continued

The refunding resulted in a credit difference on refunding of \$3,008,461 representing the difference between the reacquisition price and carrying amount of the 2003 bonds. The Authority netted the \$2,422,781 unamortized difference from prior refunding against the \$3,008,461 difference in current refunding, and the resulting net credit of \$585,680 is to be deferred and amortized over the ten year original amortization period remaining from the 2003 bonds. As of September 30, 2021 and 2020, the unamortized balance of the difference in refunding totaled \$36,497 and \$71,502, respectively, as presented in the accompanying statements of net position.

2019 Bonds

On November 1, 2019, the Authority issued \$37,045,000 General Revenue Bonds (collectively, the “2019 Bonds”) as follows:

- 2019 Series A (AMT) \$ 18,645,000
- 2019 Series B (Taxable) 18,400,000
- \$37,045,000

The 2019 Bonds were obtained for the advanced refunding of the Authority’s 2013 Series C bonds with maturities in FY2021 through FY2024.

The aggregate purchase price was \$38,558,876 (the purchase price); representing the principal amount of the 2019 Bonds, plus a net original issue premium of \$1,951,243 and less underwriters’ discount of \$437,367. Interest on the 2019 Bonds will be payable on April 1 and October 1 of each year.

The 2019 Bonds bear interest at rates from 3% to 5% and mature on October 1, 2023 for the 2019 Series A (AMT) and on October 1, 2025 for the 2019 Series B (Taxable).

The 2019 Bonds are subject to redemption prior to maturity date.

The refunding resulted in a debit difference on refunding of \$690,098 representing the difference between the reacquisition price and carrying amount of the 2013 bonds. As of September 30, 2021 and 2020, the unamortized balance of the difference in refunding totaled \$425,463 and \$563,580, respectively, and is included as a component of the deferred differences on refunding of 2019 and 2021 bonds in the accompanying statements of net position.

2021 Bonds

On August 17, 2021, the Authority issued \$143,430,000 General Revenue Bonds (the “2021 Series A Bonds”) which were obtained for the advanced refunding of the Authority’s 2013 Bonds and 2019 Bonds with maturities in FY2022 through FY2044 and in FY2022 through FY2026, respectively.

The aggregate purchase price was \$142,191,796 (the purchase price); representing the principal amount of the 2021 Series A Bonds and less underwriters’ discount of \$1,238,204. Interest on the 2021 Series A Bonds will be payable on April 1 and October 1 of each year.

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Notes to Financial Statements, continued

5. Long-Term Revenue Bonds Payable, continued

The 2021 Series A Bonds bear interest at rates from 2.5% to 4.5% and mature on October 1, 2031 for the serial bonds and on October 1, 2036 and October 1, 2043 for the term bonds.

The 2021 Bonds are subject to redemption prior to maturity date.

The refunding resulted in a debit difference on refunding of \$14,156,010 representing the difference between the reacquisition price and carrying amount of the 2013 and 2019 bonds and is included as a component of the deferred differences on refunding of 2019 and 2021 bonds in the accompanying 2021 statement of net position.

The General Revenue Bonds, including interest, are payable from and are secured by a pledge of revenues under the indenture. The bonds are collateralized by a lien upon and pledge of revenues to be received by the Authority, the trustees and the depository. The Authority also engaged the Bond Issuer to secure a financial guaranty insurance policy, guaranteeing the scheduled payment of the principal and interest on the Bonds when due. Neither the payment of the principal on the bonds, nor any interest thereon, is a debt, liability or obligation of the Government of Guam.

The bond indentures include certain debt service and reserve requirements including the requirement that net revenues as defined in the bond indentures plus other available monies be equal to at least 125% of the annual debt service.

6. Long-Term Loan Payable to Bank

Long-term loan payable to bank at September 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
First Hawaiian Bank, 5.75% interest rate fixed for 10 years, monthly payments of principal and interest in the amount of \$130,625 starting on February 24, 2014, which will amortize the loan over a period of 10 years. The principal balance and all accrued interest will be due and payable on January 23, 2024. The loan is secured by a Security Agreement and a UCC-1 Financing Agreement	\$3,479,080	\$4,801,616
Less current installments	<u>1,407,853</u>	<u>1,329,368</u>
	<u>\$2,071,227</u>	<u>\$3,472,248</u>

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

6. Long-Term Loan Payable to Bank, continued

This loan is also secured by a Security Agreement and UCC-1 Financing Statement which identify sums in the Subordinate Securities Fund and Capital Improvement Fund as collateral for the loan. Both funds are allocated revenues pursuant to Section 5.02 of the Bond Indenture. Obligations of the Authority payable from the aforementioned funds are subordinate to the pledge and lien of airport revenues to secure payment of the Authority's bonds.

Future maturities of the long-term loan payable to Bank are as follows:

Year ending September 30.

2022	\$1,407,853
2023	1,491,000
2024	<u>580,227</u>
	<u>\$3,479,080</u>

7. Investments and Cash with Trustees

The aforementioned 2019 and 2013 bond indentures require the establishment of special funds and accounts to be held and administered by the Authority's trustees for the accounting of the bond proceeds. At September 30, 2021 and 2020, investments and cash held by the trustees, in trust for the Authority, in these funds and accounts are as follows:

	<u>2021</u>	<u>2020</u>
Operations and Maintenance Reserve Fund	\$12,381,319	\$12,381,319
General Revenue Fund	5,313,699	5,863,381
Federal Grant Fund	8,239,331	8,213,598
Risk and Loss Management Reserve Fund	8,392,472	6,988,978
Capital Improvement Fund	4,140,655	25,443,467
Operations and Maintenance Fund	<u>1,963,007</u>	<u>14,497,243</u>
Total Unrestricted	<u>40,430,483</u>	<u>73,387,986</u>
Bond Reserve Fund	16,544,546	16,438,458
Debt Service Fund	8,368,310	8,886,875
Renewal and Replacement Fund	1,000,249	1,000,249
Operations and maintenance fund	70,601	---
Construction Fund	<u>171</u>	<u>171</u>
Total Restricted	<u>25,983,877</u>	<u>26,325,753</u>
	<u>\$66,414,360</u>	<u>\$99,713,739</u>

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

7. Investments and Cash with Trustees, continued

At September 30, 2021 and 2020, investments and cash held by trustees are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$14,205,997	\$15,376,714
Investments	<u>52,208,363</u>	<u>84,337,025</u>
	<u>\$66,414,360</u>	<u>\$99,713,739</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. In compliance with the bond indenture, the Authority minimized the interest rate risk, by limiting maturity of investments. A majority of the Authority's investment securities have maturities of 5 years or less. This reduces the impact of interest rate movements seen with longer maturity investments.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the Authority. In compliance with the bond indenture, the Authority minimized credit risk losses by limiting investments to the safest types of securities. Bank of Hawaii Investment Services Group, Bank of Guam, BG Investment & Insurance and Coast 360 Federal Credit Union manage the Federal Fund accounts investing in U.S. Treasury Securities, U.S. government – sponsored enterprises, Domestic Corporate Bonds, Money Market Funds and Certificate of Deposits insured by the Federal Deposit Insurance Corporation. The U.S. Treasury Securities are low risk investments as they are guaranteed by the full faith and credit of the U.S. government. While U.S. government – sponsored enterprises are not guaranteed, they are backed by the U.S. government and are recognized as low risk investments as well. In addition, certain funds held with the Bank of Guam-Trustee are invested in Government Obligations Funds through Federated Investments. Funds with co-trustee, U.S. Bank, are invested in First American Treasury Obligations Fund. All investment securities are within the requirements of the 2019 and 2013 bond indentures.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Authority will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Based on negotiated trust and custody contracts, all of these investments were held in the Authority's name by the Authority's custodial financial institutions at September 30, 2021 and 2020.

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

7. Investments and Cash with Trustees, continued

Investments Measured at Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following tables set forth by fair value hierarchy level the Authority's assets carried at fair value:

	At September 30, 2021			
	Level 1	Level 2	Level 3	Level 3
Investments by fair value level				
Debt securities:				
U.S. Treasury securities	\$ 3,576,252	\$ 3,576,252	\$ ---	\$ ---
Exchange traded products (ETP) - Fidelity Investments	8,362,695	8,362,695	---	---
Corporate bonds	1,655,868	---	1,655,868	---
Federal Farm Credit Bank (FFCB)	488,163	---	488,163	---
Federal Home Loan Mortgage Corporation (FHLMC)	333,031	---	333,031	---
Total investments by fair value level	14,416,009	\$ 11,938,947	\$ 2,477,062	\$ ---
Investments measured at the net asset value (NAV):				
Money market funds (MMF) - Fidelity Investments	20,984,839			
MMF - US Bank, NA	1,312,174			
Investments measured at a cost based measure:				
Guaranteed Investment Contracts (GIC) -				
US Bank, NA	9,549,194			
Time certificates of deposit (TCD)	5,946,147			
	\$ 52,208,363			

	At September 30, 2020			
	Level 1	Level 2	Level 3	Level 3
Investments by fair value level				
Debt securities:				
U.S. Treasury securities	\$ 3,485,697	\$ 3,485,697	\$ ---	\$ ---
Exchange traded products (ETP) - Fidelity Investments	6,953,609	6,953,609	---	---
Corporate bonds	1,701,787	---	1,701,787	---
Federal Farm Credit Bank (FFCB)	224,816	---	224,816	---
Federal Home Loan Mortgage Corporation (FHLMC)	388,591	---	388,591	---
Total investments by fair value level	12,754,500	\$ 10,439,306	\$ 2,315,194	\$ ---
Investments measured at the net asset value (NAV):				
Money market funds (MMF) - Fidelity Investments	52,349,026			
MMF - US Bank, NA	809,986			
Investments measured at a cost based measure:				
Guaranteed Investment Contracts (GIC) -				
US Bank, NA	9,549,194			
Time certificates of deposit (TCD)	8,874,319			
	\$ 84,337,025			

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Notes to Financial Statements, continued

7. Investments and Cash with Trustees, continued

The Authority's credit quality distribution for debt securities at September 30, 2021 and 2020 is as follows:

	At September 30, 2021
	Standard & Poor's/Mood's Credit Rating
FHLMC	Aaa/AAA
FFCB	Aaa/AAA
GIC	Unrated

At September 30, 2021 and 2020, the Authority had the following investments and maturities:

Investment type	At September 30, 2021				
	Total	Less than 1	1 - 5	6 - 10	More than 10
MMF	\$ 22,297,013	\$ 22,297,013	\$ ---	\$ ---	\$ ---
GIC	9,549,194	---	9,549,194	---	---
TCD	8,362,695	8,362,695	---	---	---
ETP	5,946,147	5,946,147	---	---	---
U.S. Treasury securities	3,576,252	1,083,488	2,492,764	---	---
Corporate bonds	1,655,868	248,902	1,378,922	28,044	---
FHLMC	488,163	---	488,163	---	---
FFCB	333,031	---	333,031	---	---
	\$ 52,208,363	\$ 37,938,245	\$ 14,242,074	\$ 28,044	\$ ---

Investment type	At September 30, 2020				
	Total	Less than 1	1 - 5	6 - 10	More than 10
MMF	\$ 53,159,012	\$ 53,159,012	\$ ---	\$ ---	\$ ---
GIC	9,549,194	---	9,549,194	---	---
TCD	8,874,319	8,874,319	---	---	---
ETP	6,953,609	6,953,609	---	---	---
U.S. Treasury securities	3,485,697	1,260,475	2,225,222	---	---
Corporate bonds	1,701,787	325,561	1,327,655	48,571	---
FHLMC	388,591	50,395	338,196	---	---
FFCB	224,816	---	224,816	---	---
	\$ 84,337,025	\$ 70,623,371	\$ 13,665,083	\$ 48,571	\$ ---

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Notes to Financial Statements, continued

8. Employee Benefits

General Pension Plan Descriptions

The Government of Guam Retirement Fund (GGRF) administers the Government of Guam Defined Benefit (DB) Plan and the Defined Contribution Retirement System (DCRS) Plan. By statute, the Authority provides pension benefits for its employees through the GGRF.

Defined Benefit Plan (DB Plan)

The DB Plan is a single-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. The GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

In accordance with Public Law 33-186, the Defined Benefit 1.75 Plan became effective January 1, 2018. Members of the DB 1.75 Plan also automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

The DB Plan is administered by the GGRF, to which the Authority contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

Membership: Employees of the Authority hired before September 30, 1995 are under the Government of Guam Employees Retirement System, the DB Plan. Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the DCRS. Otherwise, they remained under the old plan.

The DB 1.75 Plan is open for participation by certain existing employees, new employees and reemployed employees who would otherwise participate in the DCRS and who make election on a voluntary basis to participate in the DB 1.75 plan by December 31, 2017.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and the Authority are established and may be amended by the GGRF.

The Authority's statutory contribution rates were 26.97% and 26.28%, respectively, for the years ended September 30, 2021 and 2020. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2021 and 2020.

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Notes to Financial Statements, continued

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Benefits: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Valuation of assets:	3-year phase in of gain/losses relative to interest rate assumption.
Investment income:	7.0% per year
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Return of contributions:	100% withdrawing before retirement with less than 20 years of service assumed to elect a return of contributions. All those who have previously withdrawn assumed to elect a return of contributions. Contributions earn 4.5% interest.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	At September 30, 2019, the remaining period is 13.58 years.

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Notes to Financial Statements, continued

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

Discount Rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the GGRF's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Expected Remaining Service Lives: Under GASB Statement No. 68, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 1.5 years in the 2014 valuation, at 1.4 in the 2015 actuarial valuation, at 1.3 years in the 2016 actuarial valuation, at 1.0 in the 2017 actuarial valuation, 3.1 years in the 2018 actuarial valuation, at 3.3 years in the 2019 valuation and at 3.1 years in the 2020 valuation. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

Expected Rate of Return and Asset Allocation: The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26%	7.01%	1.82%
U.S. Equities (small cap)	4%	8.61%	0.34%
Non-U.S. Equities	17%	8.66%	1.47%
Non-U.S. Equities (emerging markets)	3%	10.59%	0.32%
U.S. Fixed Income (aggregate)	24%	3.33%	0.80%
Risk Parity	8%	5.66%	0.45%
High Yield Bonds	8%	6.11%	0.49%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7.5%	7.74%	0.58%
Expected average return for one year			6.49%
Expected geometric mean (50 years)			5.89%

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Notes to Financial Statements, continued

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

The assumption used in the actuarial valuation (7.0%) is slightly higher than the expected geometric average return over the next 50 years. If the investments do not return the expected results, future pension expense will increase.

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants

Members of the DB Plan also receive ad hoc cost of living allowance and supplemental annuity benefits that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA/SA Plan for DB Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA/SA Plan for DB Participants. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

Membership: The plan membership is the same as the DB Plan described above.

Benefits: The supplemental annuity is an amount which, when added to a retiree's annuity increase the annual annuity to \$40,000.

The COLA payment is \$2,000 per DB retiree.

Contribution: The Authority's contribution to the supplemental annuity portion of the Plan, when added to a retiree's annuity, increases the annual annuity to \$40,000.

The Authority's contribution to the COLA payment of the Plan is \$2,000 per DB retiree.

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants, continued

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining amortization period:	At September 30, 2019, the remaining period is 13.58 years.

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 2.21% and 2.66% for the years ended September 30, 2021 and 2020, respectively. This rate was used as the benefits are not funded with the accumulation of assets; they have been funded historically through appropriations from the Government of Guam.

Expected Remaining Service Lives: The expected remaining service life is the same as that used in the DB Plan.

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participant

The DCRS is administered by the GGRF. Members of DCRS receive ad hoc cost of living allowance (COLA) that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA Plan for DCRS Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA Plan for DCRS Participants. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

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Notes to Financial Statements, continued

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA Plan for DCRS Participant. continued

Membership: Employees hired after September 30, 1995, are members of the DCRS.

Benefits: Ad Hoc COLA Plan for DCRS participants are the same as those for DB Participants.

Contributions: The Authority's contribution to the COLA payment of the Plan is \$2,000 per DCRS retiree.

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.
Remaining amortization period:	At September 30, 2019, the remaining period is 13.58 years.

Discount Rate: The discount rate is the same as that used in the Ad Hoc COLA/SA Plan for DB Participants.

Expected Remaining Service Lives: The expected remaining service life is the same as that used in the DB Plan.

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

8. Employee Benefits, continued

Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.

Net pension liability at the fiscal years presented for the aforementioned plans were measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2021	September 30, 2020
Measurement Date:	September 30, 2020	September 30, 2019
Valuation Date:	September 30, 2019	September 30, 2018

Net pension liability as of September 30, 2021 and 2020 for the aforementioned plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	\$31,875,010	\$31,118,382
Ad hoc COLA/SA Plan for DB Participants	3,178,724	2,950,852
Ad hoc COLA Plan for DCRS Participants	<u>1,110,356</u>	<u>1,234,060</u>
	<u>\$36,164,090</u>	<u>\$35,303,294</u>

Proportionate share of net pension liabilities at September 30, 2021 and 2020 for the aforementioned plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	2.56%	2.56%
Ad hoc COLA/SA Plan for DB Participants	0.99%	0.91%
Ad hoc COLA Plan for DCRS Participants	1.67%	2.06%

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Notes to Financial Statements, continued

8. Employee Benefits, continued

Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

Pension expense for the years ended September 30, 2021 and 2020 for the aforementioned Plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	\$2,899,854	\$3,105,437
Ad hoc COLA/SA Plan for DB Participants	307,617	215,806
Ad hoc COLA Plan for DCRS Participants	<u>74,342</u>	<u>99,829</u>
	<u>\$3,281,813</u>	<u>\$3,421,072</u>

As of September 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2021					
	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,566	\$(155,624)	\$ 2,017	\$(50,759)	\$ 107,086	\$(26,032)
Net difference between projected and actual earnings on pension plan investments	2,283,807	---	---	---	---	---
Authority contributions subsequent to the measurement date	3,521,603	---	234,509	---	40,000	---
Changes in assumption	---	---	249,285	(4,524)	270,169	(84,181)
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>124,498</u>	<u>(38,632)</u>	<u>158,776</u>	<u>(59,046)</u>	<u>63,785</u>	<u>(285,416)</u>
	<u>\$ 6,009,474</u>	<u>\$(194,256)</u>	<u>\$ 644,587</u>	<u>\$(114,329)</u>	<u>\$ 481,040</u>	<u>\$(395,629)</u>
	September 30, 2020					
	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,666	\$(275,854)	\$ 20,448	\$(9,074)	\$ 129,967	\$(35,844)
Net difference between projected and actual earnings on pension plan investments	1,094,222	---	---	---	---	---
Authority contributions subsequent to the measurement date	3,390,951	---	234,947	---	40,000	---
Changes in assumption	---	---	264,933	(45,872)	297,103	(119,721)
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>530,955</u>	<u>---</u>	<u>24,892</u>	<u>(104,465)</u>	<u>70,995</u>	<u>(137,045)</u>
	<u>\$ 5,060,794</u>	<u>\$(275,854)</u>	<u>\$ 545,220</u>	<u>\$(159,411)</u>	<u>\$ 538,065</u>	<u>\$(292,610)</u>

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Notes to Financial Statements, continued

8. Employee Benefits, continued

Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

Deferred outflows of resources at September 30, 2021 and 2020, resulting from the Authority's employer contributions for the following plans are as follows:

	<u>2021</u>	<u>2020</u>
DB Plan	\$3,521,603	\$3,390,951
Ad hoc COLA/SA Plan for DB Participants	234,509	234,947
Ad hoc COLA Plan for DCRS Participants	<u>40,000</u>	<u>40,000</u>
	<u>\$3,796,112</u>	<u>\$3,665,898</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ 486,468
2023	896,903
2024	756,502
2025	344,796
2026	44,050
Thereafter	<u>106,056</u>
	<u>\$2,634,775</u>

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Sensitivity analysis: The following presents the net pension liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

DB Plan

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	<u>\$39,953,130</u>	<u>\$31,875,010</u>	<u>\$24,922,225</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase <u>3.21%</u>
Collective total pension liability	<u>\$ 3,494,463</u>	<u>\$ 3,178,724</u>	<u>\$ 2,904,443</u>

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

8. Employee Benefits, continued

Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

Ad Hoc COLA for DCRS Participants

	1% Decrease	Current Discount	1% Increase
	<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
Collective total pension liability	\$ <u>1,259,347</u>	\$ <u>1,110,356</u>	\$ <u>983,578</u>

Detailed information about the DB Plan's fiduciary net position is available in the separately issued GGRF financial report.

DCRS

The DCRS was created by Public Law 23-42:3 to provide an individual account retirement system for any person who is employed by the Government of Guam. Contributions into the DCRS, by members are based on an automatic deduction of 6.2% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2021 and 2020 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

During the years ended September 30, 2021 and 2020, contributions made and amounts accrued under the DCRS amounted to \$1,258,026 and \$1,172,211, respectively.

Accrued Sick Leave

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2021 and 2020, the Authority has accrued an estimated liability of \$180,477 and \$170,705, respectively. However, this amount is an estimate and actual payout could differ from those estimates.

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Notes to Financial Statements, continued

8. Employee Benefits, continued

Other Post-employment benefit (OPEB) plan

OPEB Plan Description

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains an agent multiple employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF known as the GovGuam Group Health Insurance Program. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration ITC Building Suite 224, 590 South Marine Corps Drive, Tamuning, Guam 96913, or by visiting doa.guam.gov.

Membership: All employees of the Authority who are members of the GGRF are members of the OPEB Plan.

Contribution: The Authority is invoiced a portion of the medical and dental premiums. Retirees are required to pay a portion of the medical and dental insurance premiums.

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.75%
Healthcare cost trend rate:	6 percent for 2021 through 2023, decreasing 0.25 percent per year to an ultimate rate of 4.25 percent for 2030 and later years.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Healthy retiree mortality rates:	RP-2000 Combined Health Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB.
Disabled retiree mortality rates:	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.

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Notes to Financial Statements, continued

8. Employee Benefits, continued

OPEB plan, continued

OPEB Plan Description, continued

Discount Rate: The discount rate used to measure the total OPEB liability was 2.21% and 2.66% for the years ended September 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefits of current plan members. Therefore, the municipal bond rate at each year end was applied to all periods to determine the total OPEB liability.

Expected Remaining Service Lives: Under GASB Statement No. 75, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 5.66 years. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Total OPEB liability at the fiscal years presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2021	September 30, 2020
Measurement Date:	September 30, 2020	September 30, 2019
Valuation Date:	September 30, 2020	September 30, 2018

Collective total OPEB liability as of September 30, 2021 and 2020 is \$45,366,213 and \$63,444,611, respectively.

Proportionate share of collective total OPEB liability at September 30, 2021 and 2020 is 1.8% and 2.48%, respectively.

OPEB expense for the years ended September 30, 2021 and 2020 is \$1,650,592 and \$5,720,640 , respectively.

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Notes to Financial Statements, continued

8. Employee Benefits, continued

OPEB plan, continued

OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, continued

As of September 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4,153,235	\$(4,341,487)	\$ ---	\$(8,318,329)
Authority contributions subsequent to the measurement date	463,603	---	515,865	---
Changes in assumptions	7,380,558	(9,802,630)	13,829,668	(5,915,616)
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>6,249,613</u>	<u>(14,656,212)</u>	<u>8,644,462</u>	<u>(72,354)</u>
	<u>\$ 18,247,009</u>	<u>\$(28,800,329)</u>	<u>\$ 22,989,995</u>	<u>\$(14,306,299)</u>

Deferred outflows of resources at September 30, 2021 and 2020, resulting from the Authority's employer contributions totaled \$463,603 and \$515,865, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$(1,698,184)
2023	(2,593,677)
2024	(1,760,035)
2025	(2,516,951)
2026	<u>(2,448,076)</u>
	<u>\$(11,016,923)</u>

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease pension OPEB.

Sensitivity analysis: The following presents the total OPEB liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	1% Decrease <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase <u>3.21%</u>
Total OPEB Liability	<u>\$53,860,632</u>	<u>\$45,366,213</u>	<u>\$38,594,884</u>

Antonio B. Won Pat International Airport Authority, Guam
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Notes to Financial Statements, continued

8. Employee Benefits, continued

OPEB plan, continued

OPEB Liabilities, OPEB expense and deferred outflows resources and deferred inflows of resources related to OPEB, continued

The following presents the total OPEB liability calculated using a healthcare cost trend rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$37,787,453</u>	<u>\$45,366,213</u>	<u>\$55,221,121</u>

9. Leases

The COVID-19 global pandemic continued to impact passenger traffic in Fiscal Year 2021. As part of GIAA's economic initiatives to encourage the resumption of air traffic, the GIAA worked in collaboration with its airline partners and tenants and approved several financial relief programs throughout Fiscal Year 2021. Beginning May 1, 2021 through September 2021, the GIAA adopted the Airline Recovery Assistance and Incentivizing Service Program (RAISE) providing incentives to stimulate air passenger service demand from all destinations in the Asia-Pacific Region. The RAISE program applies to passenger air services with a minimum weekly frequency per destination and provides a discount of up to 25% of operational rates and charges for the duration of the program. The discount is based on GIAA's published tariff rates and limited to airfield use fee, loading bridge use, immigration inspection and arrival and departure fees.

Financial relief was also provided for the period of October 1 to September 30 for concessionaires whose contract payment terms required the higher of Minimum Annual Guarantees (MAG) or percentage of sales. During the temporary relief period, MAG rents were waived. In lieu of MAG, these tenants were provided terms which instead required the greater of a percentage of gross sales or terminal building rent based on the space they occupied and assessed at the main terminal building rental rate. For non-terminal tenants, deferred rents of up to 180 days was offered for the period covering March through August 2021 with payments due by September 30, 2021 to avoid any interest for unpaid rents by this deadline. GIAA also implemented a temporary moratorium on tenant evictions for the Fiscal Year 2021.

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Notes to Financial Statements, continued

9. Leases, continued

Lotte Duty Free Guam, LLC (Lotte)

In March 2013, Lotte was selected as the primary concessionaire for the airport terminal for a ten year term commencing July 2013.

In accordance with the Lotte Agreement, rental income from Lotte shall be the greater of the following:

1. \$15,160,000 (the “minimum guarantee”) for the main and future retail space, and \$240,000 for arrivals retail space plus 1% of other gross revenues, or;
2. The sum of the on-site gross revenues multiplied by 30.1% for the main and future retail space, and 25.0% for the additional retail space.

During the lease term, the minimum guarantee rent shall be paid monthly in advance in equal installments on the first day of each month.

For the years ended September 30, 2021 and 2020, the Authority recorded rental income under the Lotte Agreement totaling \$4,421,204 and \$8,957,488, respectively, for use of the main rental space.

Mediation Term Sheet and Addendum

In April 2018, the Authority and Lotte entered into mediation in an effort to resolve issues and disputes between them concerning impacts of the ongoing Terminal Building Structural Upgrade and Concourse Isolation Project (“Third Floor Project”) at the Airport, the February 2 Orders and February 5 Judgment (see Note 11), which at that time had not been stayed, and the status of the Lotte Agreement, which at that time had been declared void in the DFS Specialty Retail Protest Litigation (see Note 11). As a result of the mediation, the Authority and Lotte entered into a Mediation Term Sheet (“MTS”). In the MTS, Lotte confirmed and reaffirmed its obligations under the Lotte Agreement and the Authority and Lotte agreed to negotiate in good faith any additional direct impacts to Lotte’s operations as a result of the Third Floor Project.

Under the MTS, the Authority agreed to certain rent concessions under the Lotte Agreement as follows: the Authority agreed to waive \$175,000 per month of Lotte’s rent obligation commencing on May 1, 2018 for a period of twenty-four (24) months, with possible extension; the Authority agreed to waive the payment of Percentage Rent, if any, for the period of April 2018 through September 2018; the Authority agreed to lease to Lotte 4,000 square feet of warehouse space in the Main Terminal Building and to waive the payment of rent for a period of 18 months.

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Notes to Financial Statements, continued

9. Leases, continued

Lotte Duty Free Guam, LLC (Lotte), continued

Mediation Term Sheet and Addendum, continued

On December 19, 2018, the Authority and Lotte again entered into mediation to address issues and disputes relating to Lotte’s legal fee reimbursement obligation and additional direct impacts to Lotte’s operations as a result of the Third Floor Project that were not known at the time the Authority and Lotte negotiated the MTS. As a result of the December mediation, the Authority and Lotte entered into an addendum to the MTS dated January 4, 2019 (“MTS Addendum”).

Under the MTS Addendum, the Authority agreed to waive the payment of Percentage Rent, if any, for the period of December 2018 through May 2019. The Authority and Lotte also agreed on a formula to calculate additional direct impacts (closure of space) as a result of the Third Floor Project, which would be deducted from Lotte’s rent obligation in equal amounts for a 24-month period following completion of the construction or a lesser time period if construction is delayed. In November 2019, the Authority and Lotte agreed to total additional direct impacts in the amount of \$611,368 to be deducted from Lotte’s rent obligation for a period of 24 months beginning December 2019 through November 2021.

Future minimum lease income under the Lotte Concession Agreement as of September 30, 2021 is as follows:

<u>Year ending September 30,</u>	
2022	\$15,160,000
2023	<u>12,633,333</u>
Total future minimum lease income	<u>\$27,793,333</u>

Pac Air Properties, LLC

The Authority and Pac Air Properties, LLC (Pac Air) have a lease agreement with an initial lease term of fifty (50) years beginning on February 22, 2008, with an option on the part of Pac Air to renew for an additional ten (10) years. In accordance with the agreement, Pac Air shall make agreed-upon capital improvements at a cost of no less than \$25 million to the leased premises with an area of approximately 540,000 square feet. On the termination or expiration of the lease, capital improvements will be surrendered to the Authority. The lease agreement allowed for Pac Air to defer remittance of lease payments until September 1, 2014 whereupon the deferred rent is to be remitted to the Authority in equal monthly installments over the next ten (10) years at the same time and under the same conditions as the regular monthly rent payments. The monthly rent will escalate every five years until the end of the lease term. Starting September 1, 2019, monthly rent increased from \$23,850 to \$26,100.

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Notes to Financial Statements, continued

9. Leases, continued

Pac Air Properties, LLC, continued

For the years ended September 30, 2021 and 2020, the Authority accrued rental income totaling \$313,200 and is included as a component of rental income in the accompanying statements of revenues, expenses and changes in net position. At September 30, 2021 and 2020, accrued rental receivable totaled \$378,000 and \$507,600, respectively, and is shown as accounts receivable from tenant in the accompanying statement of net position.

Future minimum lease income under the aforementioned Pac Air lease agreement is as follows:

<u>Year ending September 30,</u>	
2022	\$ 313,200
2023	313,200
2024	315,900
2025	345,600
2026	345,600
2027 - 2031	1,795,500
2032 - 2036	1,968,750
2037 - 2041	2,169,000
2042 - 2046	2,396,250
2047 - 2051	2,639,250
2052 - 2056	2,893,500
2057 - 2059	<u>1,779,750</u>
 Total future minimum lease income	 <u>\$17,275,500</u>

The Authority has a lease-back agreement, expiring in 2024, with Pac Air to lease a total of 32,500 square feet of space in the completed facility on the leased premises.

Rent expense for the years ended September 30, 2021 and 2020 totaled \$948,750 and \$1,058,400, respectively, and is included under contractual services in the accompanying statements of revenues, expenses and changes in net position.

Future minimal rent expense arising from the Pac Air lease-back agreement is as follows:

<u>Year ending September 30,</u>	
2022	\$ 820,500
2023	820,500
2024	<u>820,500</u>
 Total future minimum lease income	 <u>\$2,461,500</u>

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Notes to Financial Statements, continued

9. Leases, continued

Pac Air Properties, LLC, continued

The Authority has a sublease agreement with the Government of Guam’s Customs and Quarantine Agency (GovGuam CQA) to lease 25,000 square feet of the aforementioned 32,500 square feet rental space for annual rental of \$780,000. Rental income for each of the years ended September 30, 2021 and 2020 totaled \$780,000 and is included under rental income in the accompanying statements of revenues, expenses and changes in net position.

Future minimal sublease income from GovGuam CQA is as follows:

Year ending September 30,

2022	\$ 780,000
2023	780,000
2024	780,000
2025	<u>780,000</u>
Total future minimum lease income	<u>\$3,120,000</u>

Other Leases

The Authority has lease agreements with scheduled air carriers, various concessionaires and other airport users. The agreements provide the lessees with the use of the airport’s system facilities, equipment and services. On October 1, 2019, new but substantially similar Signatory Airline Operating Agreements and Terminal Building Leases (the “Airline Operating Agreements”) went into effect with ten of the Authority’s 11 passenger air carriers serving the Airport (the “Signatory Airlines”). Due to the COVID-19 pandemic, Air Busan was the sole signatory carrier that elected to terminate its lease at year end September 30, 2021. The lease agreements with six rent-a-car companies expired in June 2016. These agreements are currently under month-to-month extensions pending negotiated agreements, except the local franchise owners for Dollar Rent A Car and Budget terminated its concession agreements with GIAA. Dollar and Budget were acquired by Hertz and Avis respectively. Other ground lease agreements will expire during the period of September 2019 through September 2035.

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Notes to Financial Statements, continued

9. Leases, continued

Other Leases, continued

Future minimum lease payments on other noncancellable operating leases (excluding the Lotte and Pac Air and GovGuam CQA lease described above) as of September 30, 2021 are as follows:

Year ending September 30,

2022	\$ 3,986,000
2023	2,882,000
2024	2,739,000
2025	288,000
2026	297,000
Thereafter	<u>2,474,000</u>
 Total future minimum lease income	 <u><u>\$12,666,000</u></u>

10. Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal year 2021 is as follows:

	Outstanding October 1, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2021</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued sick leave	\$ 170,705	\$ 9,772	\$ ---	\$ 180,477	\$ ---	\$ 180,477
Accrued annual leave	1,493,287	1,559,043	1,395,631	1,656,699	444,348	1,212,351
Loan payable to bank	4,801,616	---	1,322,536	3,479,080	1,407,853	2,071,227
Net pension liability	35,303,294	860,796	---	36,164,090	---	36,164,090
Collective total other postemployment benefit liability	63,444,611	---	18,078,398	45,366,213	---	45,366,213
General revenue bonds	<u>179,238,190</u>	<u>143,430,000</u>	<u>131,387,490</u>	<u>191,280,700</u>	<u>---</u>	<u>191,280,700</u>
	<u>\$284,451,703</u>	<u>\$145,859,611</u>	<u>\$152,184,055</u>	<u>\$278,127,259</u>	<u>\$1,852,201</u>	<u>\$276,275,058</u>

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Notes to Financial Statements, continued

10. Long-Term Liabilities, continued

A summary of changes in long-term liabilities during fiscal year 2020 is as follows:

	Outstanding October 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2020</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued sick leave	\$ 148,110	\$ 22,595	\$ ---	\$ 170,705	\$ ---	\$ 170,705
Accrued annual leave	1,238,258	1,278,996	1,023,967	1,493,287	446,556	1,046,731
Loan payable to bank	6,048,641	---	1,247,025	4,801,616	1,329,368	3,472,248
Net pension liability	33,826,304	1,476,990	---	35,303,294	---	35,303,294
Collective total other postemployment benefit liability	45,048,838	18,395,773	---	63,444,611	---	63,444,611
General revenue bonds	<u>194,513,408</u>	<u>38,553,545</u>	<u>53,828,763</u>	<u>179,238,190</u>	<u>3,850,000</u>	<u>175,388,190</u>
	<u>\$280,823,559</u>	<u>\$59,727,899</u>	<u>\$56,099,755</u>	<u>\$284,451,703</u>	<u>\$5,625,924</u>	<u>\$278,825,779</u>

11. Commitments and Contingencies

Environmental Response Actions

As discussed in Note 4, in September 2000, the Navy transferred 1,417 acres of property to the Authority and Government of Guam. In fiscal year 2001, the Navy paid the Authority \$10,000,000 as a lump sum but not in accordance to the payment provisions of the Quitclaim Deed from the Navy. In exchange for the payment, the Authority and the Government of Guam apparently assumed obligations for specific environmental response actions addressing groundwater contamination even if the cost of the response actions exceeds the \$10 million received from the Navy. The Authority's management had assisted in preparing a Decision Document (DD) for Operable Unit 3 (OU3) which is the groundwater located under the former Naval Air Station. The DD presents the selected remedy for OU3, which calls for extraction and treatment at Well NAS-1 and future wells, if necessary, and natural attenuation. The DD identifies the Navy as the lead agency for the cleanup with support agencies that include the Authority, Guam Environmental Protection Agency (GEPA) and the US EPA. The Navy, the Authority and GEPA have executed the DD.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Environmental Response Actions, continued

The Authority's responsibilities under the Remedial Action are limited to groundwater sampling and testing as currently performed. In the near future, the ongoing sampling and testing requirements will be reduced or completely eliminated. A specific request to this effect is pending GEPA. The granular activated carbon (GAC) treatment provided under the Authority's new water system satisfies the GAC treatment component of future wells meeting the selected remedy. No further obligation of the Authority is required under the DD.

The long-term obligation to operate and maintain the facilities built under the remedial construction as well as the required sampling will be handled through a water system commercial agreement. As of September 30, 2014, the Authority estimated, based upon a weighted average probability of future cash outflows, that its pollution remediation obligations as called for under GASB No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations totaled \$800,929. At September 30, 2021 and 2020, future pollution remediation and monitoring costs totaling \$273,066 and \$359,638, respectively, are reflected as a component of other current liabilities in the accompanying statements of net position.

Federal Program Costs

The Authority receives, on a reimbursement basis, grants from the U.S. Government for certain capital construction projects. The Authority also receives grants from other sources. These grants are subject to financial and compliance audits to ascertain whether federal laws and regulations have been followed.

Commitments

The Authority has commitments totaling approximately \$22 million under several construction contracts at September 30, 2021.

In addition, the Authority has commitments under other various contracts totaling approximately \$13.2 million at September 30, 2021.

Insurance

The Authority has adopted a policy of self-insuring its facilities for earthquake and typhoon damage. The Authority also maintains deposit of \$1 million annually in the Renewal and Replacement Fund which will be combined with funds in the Risk and Loss Management Reserve Fund to cover damage in the event of a natural catastrophe. As of September 30, 2021, the balances in the Renewal and Replacement Fund and Risk and Loss Management Reserve Fund are \$1 million and \$6.5 million, respectively. As of September 30, 2020, the balances in the Renewal and Replacement Fund and Risk and Loss Management Reserve Fund are \$1 million and \$6.3 million, respectively. The Authority has a catastrophic insurance policy with coverage up to \$5 million as a supplement to the self-insurance.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Government of Guam General Fund

Pursuant to 5 GCA Chapter 22 § 22421 *Transfer of Autonomous Agency Revenues to Autonomous Agencies Collections Fund*, certain autonomous agencies, to include the Authority, are to remit certain amounts to the Government of Guam General Fund at the end of each fiscal year.

Notwithstanding the requirements of 5 G.C.A. § 22421, the Authority is prohibited by its 2013 General Revenue Bond Indentures (2013 Indentures) and federal law from transferring any funds from its operating surplus to the General Fund. Any diversion of the Authority's revenues under any formula will place the Authority in breach of the 2013 Indentures and will jeopardize ongoing and future federal funding, possibly even subjecting the Authority to millions of dollars in federal civil penalties. Accordingly, the Authority cannot transfer any of its revenues to the General Fund as directed by 5 G.C.A. § 22421 and no liability has been recorded for this contingency as of September 30, 2021 and 2020. This position has been supported by legal determinations, past and present.

During the year ended September 30, 2021, there was no substantive progress of discussions with the Executive and Legislative branches to repeal 5 GCA § 22421 or on the issue of the Government of Guam assessment.

The Authority recognizes that it is an instrumentality of the Government of Guam. The Authority may reimburse the Government of Guam for costs of services and contributions provided to the Authority subject to the standards of documentation as required by the FAA's Policy and Procedures Concerning the Use of Airport Revenue.

Water System Infrastructure Upgrade

The new airport water system was commissioned and made operational in phases during 2012.

Concurrent with the commissioning of the new airport water system, the Authority entered into an interim agreement with Guam Waterworks Authority (GWA) to operate and maintain the water system for a minimum of one year. GWA's system rates will be status quo during the interim period. To date, the agreement is in a holdover period.

A new water system commercial agreement is being negotiated between the Authority and GWA to account for operational and maintenance omissions and deficiencies and to improve repair and replacement procedures. The new agreement is expected to be executed during 2022. Other matters include real estate issues that will allow GWA the ability to expand the capacity of the water reservoirs. The Authority expects to approve GWA's proposal expansion. Additional issues include GWA servicing of the former Naval officers housing occupants and the disposition of aged water lines within the airfield. Personnel changes for both parties as well as restrictions imposed from the pandemic have delayed negotiations.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Litigation

The Authority is involved in certain litigation inherent to its operations. The Authority intends to vigorously defend its position and management is of the opinion that liabilities of a material nature will not be realized.

DFS Guam L.P. Specialty Retail Protest Litigation

This matter involves three actions, which have been consolidated, relating to three protests lodged by DFS Guam L.P. (“DFS”) relating to the Specialty Retail Concession RFP (“2012 RFP”), and denied by the Authority. Summary judgment motions were filed by the Authority and DFS. On February 2, 2018, in four separate Decisions and Orders, the court denied the Authority’s motions and granted DFS’s motion (the “February 2 Orders”). In its Decision and Order on DFS’s motion (“DFS MSJ Order”) and subsequent Judgment filed on February 5, 2018 (“February 5 Judgment”), the court voided the 2012 RFP and voided and set aside the May 18, 2013 Specialty Retail Concession Agreement (“Lotte Agreement”) between the Authority and Lotte Duty Free Guam, LLC (“Lotte”). In addition, in the DFS MSJ Order, the court ordered the Authority to comply with the Guam Procurement Code and the Authority’s enabling legislation if it wished to issue another specialty retail procurement; found that it is in the best interests of the public for Lotte to remain as the specialty retail concessionaire; and ordered the Authority to abide by the terms of the Lotte Agreement. The court also denied DFS’s request for costs.

On July 16, 2018, the Court amended its DFS MSJ Order (the “Amended Order”) and issued an Amended Judgment (the “Amended Judgment”) voiding the 2012 RFP and voiding and setting aside the Lotte Agreement. The Court also stayed enforcement of the Amended Judgment pending the Authority’s appeal.

The Authority appealed the Amended Judgment to the Guam Supreme Court, and DFS filed a cross-appeal. On August 11, 2020, the Guam Supreme Court vacated the Amended Judgment, and on December 7, issued an order granting GIAA’s petition for rehearing in part and also issued an Amended Opinion on Rehearing and an Amended Judgment. Because the Amended Judgment is now vacated, the specialty retail concession contract between GIAA and Lotte remains valid and enforceable.

The matter is now before the Superior Court for further proceedings not inconsistent with the Supreme Court’s Amended Opinion. The Superior Court has not scheduled any proceedings consistent with the Supreme Court’s Amended Opinion.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

DFS v. Lotte Tort Action

In the *Specialty Retail Protest Litigation* against the Authority relating to the 2012 RFP, Lotte was also a named defendant. On September 1, 2015, the Court granted in part a motion to dismiss brought by Lotte. The Court dismissed DFS's Third, Sixth, Ninth, Twelfth, Fifteenth and Seventeenth causes of action brought under the Procurement Law against Lotte. The Court denied dismissal of DFS's tort claim against Lotte and severed that claim into a separate action, CV0943-14-01 and CV0094-15-01 (the "Tort Action").

The Authority is not a party to the Tort Action, but DFS has raised allegations with respect to the Authority and requested relief for permanent injunction prohibiting Lotte from taking any action under the Lotte Agreement with the Authority and prohibiting Lotte from submitting proposals for future RFPs. The Authority is monitoring these proceedings and currently considering various options, to the extent necessary, with regard to the Tort Action.

DFS Guam L.P. (DFS) Holdover Dispute

The Authority and DFS are involved in ongoing disputes related to DFS's concession agreement with the Authority that expired in 2013. To recover damages caused by DFS's holdover under the DFS concession agreement, the Authority drew down \$2.1 million on DFS's security deposit in the form of an undivided letter of credit that DFS had provided to secure against breaches of its three concession agreements.

In 2014, DFS initiated the arbitration. In 2016, the arbitration panel awarded DFS \$1.9 million in damages plus interest, costs, and attorney's fees. DFS also filed a separate action arising from this dispute pursuant to the Guam Government Claims Act, in which both parties have filed claims and counterclaims against each other alleging various breaches of contract. In October 2018, the Authority moved to dismiss this action for failure to prosecute, which is still pending before the Superior Court.

In December 2018, the Superior Court confirmed the arbitration award ("Confirmation Order"), which the Authority appealed. In January 2019, DFS demanded that the Authority immediately pay \$2,237,522 due under the arbitration award plus interest to date. DFS also filed a motion seeking \$240,000 in attorney fees and costs related to post-arbitral proceedings.

In February 2020, the Authority filed a motion to reverse the Confirmation Order and vacate the arbitration award based on two recent opinions by the Supreme Court of Guam that were issued after the Confirmation Order.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

DFS Guam L.P. (DFS) Holdover Dispute, continued

On September 9, 2021, the Superior Court filed a decision and order denying GIAA's motion and granting DFS's motion to correct an error in the Confirmation Order. Based on the decision and order, the Superior Court filed an Amended Judgment on the same day, which GIAA appealed. On September 30, 2021, GIAA filed a motion in the Superior Court to stay enforcement of the Amended Judgment, which GIAA is entitled to as a matter of right as a governmental entity. DFS opposed the motion. GIAA's motion to stay enforcement is still pending before the Superior Court.

While the Authority believes that it will be successful in its motion to reverse the Confirmation Order and vacate the arbitration award and any appeal in this case, the range of loss in the event it must pay any judgment on the arbitration award is \$1,854,528 to \$3,373,216, plus possible interest. The Authority will continue to vigorously defend against all claims but has recorded a provision for loss amounting to approximately \$3.1 million as of September 30, 2021 and 2020, as a component of other current liabilities.

DFS Sunshine Act Lawsuit

On April 11, 2016, DFS filed a civil action under the Open Government Law and Sunshine Reform Act of 1999 against the Authority, its Executive Manager and its Directors in their respective official capacities ("Sunshine Act Lawsuit"). The Executive Manager and Directors were later dismissed from the case.

The Superior Court of Guam issued decisions and orders granting summary judgment in favor of DFS on its Fifth and Ninth causes of action for declaratory relief relating to the release of certain Authority Board executive session transcripts, denying DFS's Sixth and Tenth causes of action seeking an injunction ordering the Authority to turn over certain executive session transcripts, and dismissing DFS's remaining claims with prejudice as requested by DFS ("MSJ D&Os"). Judgment was issued on January 10, 2018, and the Authority appealed.

On January 25, 2018, DFS filed a Motion for Attorneys' Fees and Costs seeking recovery of \$259,602 in attorneys' fees and costs. Following briefing and a hearing, on September 12, 2018, the court denied DFS's motion ("Attorneys' Fees Order"). On October 9, 2018, DFS appealed.

On June 12, 2019, the Supreme Court issued its Opinion in the Sunshine Act Lawsuit appeal ("June 12, 2019 Opinion") vacating the January 10 Judgment, reversing the MSJ D&Os and finding that executive session transcripts pertaining to pending litigation are exempt under the Sunshine Act. The Attorney's Fees appeal was briefed but was dismissed on July 1, 2019 in light of the June 12 Opinion issued in the Sunshine Act Lawsuit appeal.

Judgment consistent with the Supreme Court's opinion in the Sunshine Act Lawsuit appeal is still pending from the Superior Court. Upon issuance of the Judgment, the Authority considers this matter concluded.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Exchange License Agreement

On April 5, 2012, the Authority and Core Tech International (Core Tech), entered into an exchange license agreement for a term of thirty years. The agreement calls for the Authority to allow Core Tech the right to use several dilapidated buildings owned by the Authority and in exchange, Core Tech allowed the Airport the use of Core Tech property on which the Authority had inadvertently encroached and made improvements on it in prior years. The license agreement stipulates that no rent will be charged to either party during the thirty-year term of the agreement.

In lieu of receipt of back rentals and future rentals for use of the encroached property, Core Tech accepted, in exchange, the use of the Authority's three buildings that were in a state of disrepair and had environmental concerns. The agreement requires Core Tech to make repairs and mitigate all environmental issues over the buildings.

At the time the exchange license agreement was entered into, the fair market values of the assets involved by the parties were not determinable.

Other

In December of 2012, the Department of Administration paid out merit bonuses for line agency employees who met the criteria set forth pursuant to 4 GCA Chapter 6 § 6203. Merit bonuses are to be paid to employees who receive a superior rating evaluation conducted for increment purposes. The Authority is currently conducting its due diligence to determine its obligation to pay out merit bonuses. At September 30, 2013, the Authority has accrued about \$1.5 million as an estimate of costs to pay bonuses for the airport employees. In addition, the Authority has accrued about \$681,000 as costs for the last incremental 10% salary increase for Airport Rescue Firefighters and Airport Police uniformed personnel pursuant to Public Law 29-105. This payment is for fiscal years 2012 and 2013. At September 30, 2021 and 2020, \$248,000 remained as unpaid obligation for inactive employees.

2019 Novel Coronavirus (COVID-19)

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared COVID-19 outbreak as a "Public Health Emergency of International Concern." Due to COVID-19 many flights to and from Guam have been suspended or reduced. Since the Authority's main business operations have a heavy dependency on visitors from Japan, Korea and the Philippines, the Authority's financial position, results of operations, and/or cash flows have been adversely impacted. However, due to continued uncertainties surrounding the extent and duration of COVID-19 outbreak and its impact on the tourism-based economy of Guam, the Authority is unable at this time to reasonably estimate the potential future impact on its financial statements.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

12. Customs, Agriculture and Quarantine Inspection Services Charge

During the years ended September 30, 2021 and 2020, the Authority has assessed and collected from air carriers fees for customs and agricultural inspection services rendered at the Airport terminal. Guam Public Law 23-45 requires the Authority to remit all collections, within five days of receipt, to the Treasurer of Guam for deposit to the Customs, Agriculture and Quarantine Inspection Services Fund.

For the years ended September 30, 2021 and 2020, fees assessed to air carriers related to the aforementioned arrangement totaled approximately \$655 thousand and \$6.4 million, respectively. For the year ended September 30, 2020, remittances to the Treasurer of Guam related to the aforementioned arrangement totaled approximately \$5.9 million. For the years ended September 30, 2021 and 2020, the Authority offset \$904 thousand and \$1.9 million, respectively, of customs fee payable with amounts owed from GovGuam CQA for its various lease agreements with the Authority.

At September 30, 2021 and 2020, the Authority recorded customs fees payable to the Treasurer of Guam totaling \$300,915 and \$546,665, respectively, for the above charges, of which \$300,544 and \$343,445, respectively, is reflected as customs fees, receivables in the accompanying statements of net position. The fees are not reflected as an expense or revenue by the Authority.

Required Supplementary Information

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Schedule 1
Required Supplementary Information
Schedule of the Authority's Proportionate Share of Net Pension Liability

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	2.56%	2.56%	2.54%	2.46%	2.45%	2.35%	2.45%	2.32%
Authority's proportionate share of the net pension liability	\$ 31,875,010	\$ 31,118,382	\$ 29,987,434	\$ 28,053,913	\$ 33,532,175	\$ 32,241,435	\$ 30,570,481	\$ 30,256,332
Authority's covered payroll	\$ 15,172,534	\$ 13,286,188	\$ 13,099,014	\$ 13,253,631	\$ 13,107,529	\$ 13,353,696	\$ 12,788,348	\$ 12,883,180
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	210.08%	234.22%	228.93%	211.67%	255.82%	241.44%	239.05%	234.85%
Plan fiduciary net position as a percentage of total pension liability	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Schedule 2
Required Supplementary Information
Schedule of the Authority's Contributions

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	\$ 3,521,603	\$ 3,390,951	\$ 3,106,326	\$ 2,242,956	\$ 2,966,912	\$ 3,060,666	\$ 3,178,277	\$ 3,297,500	\$ 2,857,688	\$ 2,405,802
Contribution in relation to the contractually required contribution	<u>3,521,603</u>	<u>3,390,951</u>	<u>3,106,326</u>	<u>2,242,956</u>	<u>2,966,912</u>	<u>3,060,666</u>	<u>3,178,277</u>	<u>3,297,500</u>	<u>2,857,688</u>	<u>2,405,802</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 14,070,098	\$ 14,926,162	\$ 13,417,930	\$ 13,099,014	\$ 13,253,631	\$ 13,107,529	\$ 13,353,696	\$ 12,788,348	\$ 12,883,180	\$ 10,356,825
Contribution as a percentage of the Authority's covered-employee payroll	25.03%	22.72%	23.15%	17.12%	22.39%	23.35%	23.80%	25.79%	22.18%	23.23%

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Schedule 3
Required Supplementary Information
Schedule of the Authority's Proportionate Share of Collective Total Pension Liability

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants
(Unaudited)

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportionate share of the collective total pension liability	\$ 3,178,724	\$ 2,950,852	\$ 2,785,670	\$ 2,698,911	\$ 2,086,977	\$ 2,034,619
Authority's proportion of the collective total pension liability	0.99%	0.91%	0.96%	0.94%	0.91%	0.86%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Schedule 4
Required Supplementary Information
Schedule of the Authority's Contributions

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants
(Unaudited)

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	234,509	\$ 234,947	\$ 215,570	\$ 226,046	\$ 224,018	\$ 218,041	\$ 214,041	\$ 198,678	\$ 150,712	\$ 168,354
Contribution in relation to the contractually required contribution	<u>234,509</u>	<u>234,947</u>	<u>215,570</u>	<u>226,046</u>	<u>224,018</u>	<u>218,041</u>	<u>214,041</u>	<u>198,678</u>	<u>150,712</u>	<u>168,354</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Schedule 5
Required Supplementary Information
Schedule of the Authority's Proportionate Share of Collective Total Pension Liability

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportionate share of the collective total pension liability	\$ 1,110,356	\$ 1,234,060	\$ 1,053,200	\$ 1,365,758	\$ 1,301,894	\$ 1,043,706
Authority's proportion of the collective total pension liability	1.67%	2.06%	2.13%	2.19%	2.11%	2.00%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Schedule 6
Required Supplementary Information
Schedule of the Authority's Contributions

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 40,000	\$ 40,000	\$ 40,000	\$ 38,000	\$ 36,000	\$ 32,000	\$ 26,000	\$ 23,400	\$ 11,000
Contribution in relation to the contractually required contribution	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>38,000</u>	<u>36,000</u>	<u>32,000</u>	<u>26,000</u>	<u>23,400</u>	<u>11,000</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Schedule 7
Required Supplementary Information
Schedule of the Authority's Proportionate Share of Collective Total Other Postemployment
Benefit Liability
(Unaudited)

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's proportion of the total collective other postemployment benefit liability	1.80%	2.48%	2.40%	1.92%	1.91%
Authority's proportionate share of the collective total other postemployment benefit liability	\$ 45,366,213	\$ 63,444,611	\$ 45,048,838	\$ 46,614,484	\$ 48,343,156

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Schedule 8
Required Supplementary Information
Schedule of the Authority's Contributions

Other Postemployment Benefit Plan
(Unaudited)

Last 10 Fiscal Years

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>
Contractually required contributions	463,603	\$	515,865	\$	502,180	\$	440,077	\$	445,487	\$	408,841	\$	362,761	\$	256,563	\$	261,312	\$	301,527
Contribution in relation to the contractually required contribution	<u>463,603</u>		<u>515,865</u>		<u>502,180</u>		<u>440,077</u>		<u>445,487</u>		<u>408,841</u>		<u>362,761</u>		<u>256,563</u>		<u>261,312</u>		<u>301,527</u>
Contribution excess	<u>\$ ---</u>	<u>\$</u>	<u>---</u>	<u>\$</u>	<u>---</u>	<u>\$</u>	<u>---</u>	<u>\$</u>	<u>---</u>	<u>\$</u>	<u>---</u>	<u>\$</u>	<u>---</u>	<u>\$</u>	<u>---</u>	<u>\$</u>	<u>---</u>	<u>\$</u>	<u>---</u>

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Note to Required Supplementary Information
(Unaudited)

Changes of Assumptions – Pension Plans

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Supplementary and Other Information

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Years ended September 30, 2021 and 2020

Schedule 9
Facilities and Systems Usage Charges

	<u>2021</u>	<u>2020</u>
Passenger loading bridge usage charge	\$ 1,309,725	\$ 4,825,376
Public apron	1,096,053	1,255,161
Departure facilities	791,830	3,320,638
Landing	799,651	2,948,497
Utility recovery and other fees	477,492	630,898
Arrival facilities	475,611	3,166,630
Fuel flowage	261,792	242,016
Immigration	87,865	1,141,757
	\$ 5,300,019	\$ 17,530,973

Schedule 10
Concession Fees

	<u>2021</u>	<u>2020</u>
General merchandise	\$ 4,421,204	\$ 8,983,541
Car rental	359,631	826,033
In-flight catering	263,497	557,166
Other	178,775	183,124
Advertising	123,905	228,085
Food and beverage	115,867	577,059
Parking lot	52,350	126,354
Ground transportation	(5,287)	1,869,800
Money exchange	---	126,539
	\$ 5,509,942	\$ 13,477,701

Schedule 11
Rental Income

	<u>2021</u>	<u>2020</u>
Operating space:		
- Non-airline	\$ 4,060,166	\$ 4,504,052
- Airline	2,797,620	2,849,045
Building and maintenance shop rentals	1,826,535	1,835,493
Other	1,581,849	1,695,621
Cargo rentals	288,557	285,802
	\$ 10,554,727	\$ 11,170,013

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Years ended September 30, 2021 and 2020

Schedule 12
Contractual Services

	<u>2021</u>	<u>2020</u>
Repairs and maintenance	\$ 4,004,475	\$ 7,140,597
Power	4,404,757	4,989,303
Professional services	3,624,446	4,299,019
Miscellaneous	1,380,917	2,123,369
Insurance	923,942	819,950
Utilities and telephone	378,896	672,231
Advertising and promotions	72,845	493,328
Travel/training and certifications	66,889	109,668
	<u>\$ 14,857,167</u>	<u>\$ 20,647,465</u>

Schedule 13
Personnel Services

	<u>2021</u>	<u>2020</u>
Salaries and wages	\$ 14,186,685	\$ 15,172,534
Retirement contributions	3,423,383	3,136,416
Insurance	1,276,424	963,326
	<u>\$ 18,886,492</u>	<u>\$ 19,272,276</u>
Full-time employee count in September	<u>199</u>	<u>202</u>

Schedule 14
Materials and Supplies

	<u>2021</u>	<u>2020</u>
Office and security supplies	\$ 232,025	\$ 481,464
Equipment and vehicle maintenance and supplies	279,771	353,717
Building maintenance and supplies	45,860	240,756
Miscellaneous	99,358	224,479
Electrical and plumbing	142,937	224,341
	<u>\$ 799,951</u>	<u>\$ 1,524,757</u>

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Year ended September 30, 2021

Schedule 15
Insurance Coverage

Name of Insurer	Policy	Risk Coverage
AIG/National Union Fire Insurance Company of Pittsburg, PA.	Airport Operations Liability	\$ 500,000,000
AIG/National Union Fire Insurance Company of Pittsburg, PA.	Property Insurance	\$ 200,000,000
AIG/National Union Fire Insurance Company of Pittsburg, PA.	Catastrophe Insurance	\$ 5,000,000
Dongbu Insurance Co., Ltd. Seoul, Korea	Directors & Officers Liability (Sublimit of \$1,000,000 for Employment Practices Liability)	\$ 4,000,000
Dongbu Insurance Co., Ltd. Seoul, Korea	Automobile	\$ 2,000,000
Tokyo Marine Pacific Insurance Ltd.	Workers' Compensation	\$ 1,000,000
Dongbu Insurance Co., Ltd. Seoul, Korea	Crime Insurance	\$ 1,000,000

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Years ended September 30, 2021 and 2020

Schedule 16
Debt Service Computation

	Year ended September 30,	
	<u>2021</u>	<u>2020</u>
Net revenues		
Revenues:		
Operating revenues	\$ 23,173,256	\$ 43,160,797
Non-operating revenues: passenger facility charge income	270,964	2,919,951
Non-operating revenues: interest income	762,933	1,818,696
Non-operating revenues: grants from the United States Government	20,428,336	15,094,077
Capital grants from the United States	22,340,926	12,054,605
Non-operating revenues: grants from the Government of Guam	14,271	8,069
Less:		
Investment income from CIF related funds	(143,976)	(434,857)
Capital grants from the United States	(22,340,926)	(12,054,605)
Operation and maintenance expense	(34,543,610)	(41,444,498)
Other bookkeeping entries-noncash pension cost	3,281,813	3,421,072
Other bookkeeping entries-noncash OPEB cost	1,650,592	5,720,640
Actual contribution to GGRF	(3,796,112)	(3,665,898)
Actual contribution to DOA	(463,603)	(515,865)
Miscellaneous expenses	(1,896,730)	(6,141,294)
	<u>\$ 8,738,134</u>	<u>\$ 19,940,890</u>
Other available monies (lesser of amount in capital improvement fund or 25% of debt service fund)		
Capital improvement fund	\$ <u>4,140,654</u>	\$ <u>25,443,467</u>
25% of debt service	\$ <u>1,729,676</u>	\$ <u>3,393,565</u>
	<u>\$ 1,729,676</u>	<u>\$ 3,393,565</u>
Aggregate annual debt service		
Sum of interest due for the fiscal year	\$ 6,918,703	\$ 9,724,260
Sum of principal due for the fiscal year	---	3,850,000
	<u>\$ 6,918,703</u>	<u>\$ 13,574,260</u>
Debt service ratio		
Net revenues	\$ 8,738,134	\$ 19,940,890
Other available monies	<u>1,729,676</u>	<u>3,393,565</u>
	\$ 10,467,810	\$ 23,334,455
Divided by: aggregate annual debt service	<u>\$ 6,918,703</u>	<u>\$ 13,574,260</u>
	<u>1.51</u>	<u>1.72</u>

Antonio B. Won Pat International Airport Authority, Guam
(A Component Unit of the Government of Guam)

Years ended September 30, 2021 and 2020

Schedule 17
Employee Data
(Unaudited)

Department	Employees (a)		Personnel Services (b)	
	2021	2020	2021	2020
Board	1	1	\$ 55,310	\$ 53,386
Administration (c)	32	34	3,120,520	3,169,813
Property Management	8	9	810,575	949,851
Accounting	11	12	1,139,700	1,129,133
Engineering	10	10	978,269	996,631
Operations	20	20	1,941,143	1,929,934
Properties & Facilities Maintenance	36	36	2,862,806	2,914,176
Airport Police	49	46	4,843,945	4,784,000
Aircraft Rescue Fire Fighting	32	34	3,134,211	3,345,352
Total	199	202	\$ 18,886,479	\$ 19,272,276

Notes:

a. Filled positions, not including Limited Term Appointments (LTA's) related to Airport Police pursuant to Transportation Security Administration mandate.

b. Above are funded by Operating & Maintenance Fund Account.

c. Administration consists of:	2021	2020
Executive management	5	5
Administrative support	11	14
Personnel	2	3
Marketing	3	3
Procurement	7	5
Management information system	4	4
	32	34



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and the Board of Directors
Antonio B. Won Pat International Airport Authority, Guam

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Antonio B. Won Pat International Airport Authority, Guam (the Authority), a component unit of the Government of Guam, which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

March 16, 2022