



## **Guam International Airport Authority FY 2013 Financial Highlights**

January 31, 2014

The Guam A.B. Won Pat International Airport Authority (Airport) closed fiscal year (FY) 2013 with passenger enplanements of nearly 1.7 million (M), a record high in comparison to the past 12 years. The Airport experienced an increase in net position (net income) of \$15.1M in FY 2013 compared to a decrease of \$395,000 (K) in FY 2012. The Airport continued to maintain sufficient debt service coverage of 2.06 versus the 1.25 debt service requirement of the former 2003 and new 2013 bond covenants.

Independent auditors Ernst & Young, LLP gave the Airport an unqualified (clean) opinion for its FY 2013 financial statements and compliance over major federal programs. The Airport is commended as no findings pertaining to federal funds were identified in FY 2013.

### **Revenues Increased**

The Airport's operating revenues increased by \$7.3M, going from \$52.5M in FY 2012 to \$59.8M in FY 2013. Facilities and systems usage charges increased by \$2.5M or 10% to \$27.1M, miscellaneous revenues increased by \$2.3M or 201% to \$3.5M, and concession fees increased by \$2.1M or 13% to \$18M. The facilities and systems usage charges increase were mainly due to the increase in rates and enplanements. The increase in miscellaneous revenues was attributed to liquidated damages from the prior concessionaire for its continued occupancy of rental space after the expiration of the contract. An additional \$651K for power recovery has yet to be collected. Concession fees increased due to the increase in minimum annual guarantee from the new concessionaire, Lotte Duty Free Guam, LLC (Lotte).

Non-operating revenues increased by \$12.9M or 92% from \$14.1M in FY 2012 to \$27M in FY 2013. This was due to capital and operating grants increasing by \$10.7M or 157% to \$17.4M. These federal monies are planned to be used for airfield and aviation infrastructure improvements, environmental assessments, and base conversion projects.

### **Expenses Increased**

Operating expenses increased by \$3.3M, from \$35.2M in FY 2012 to \$38.4M in FY 2013. Of the operating costs, personnel services experienced an increase of \$3.5M or 25% to \$17.5M due to the implementation of the second phase of the Airport's employee compensation program as well as monies set aside to pay out merit bonuses of \$1.5M and pay increases for uniformed personnel relative to Public Law 29-105 of \$680K. Legal fees expended were \$1.6M.

### **Series 2013 Airport Bonds**

In September 2013, the Airport issued 2013 Bonds totaling \$247.3M. These bonds were obtained to refund the outstanding 2003 Bonds and finance improvements in Airport. The Airport will have approximately \$110M of the bond proceeds for capital improvement projects to construct a new international arrivals corridor leading from the loading bridges to the federal inspection area, a new Aircraft Rescue and Fire Fighting facility, and provision of a new cargo

only apron adjacent to the integrated air cargo facility and extension of the fuel hydrant system to the new cargo only apron.

### **New Specialty Retail Concessionaire**

Lotte was selected as the primary concessionaire for the Airport for a 10 year term beginning July 2013. Despite the legal challenges that came along with this selection, the Airport realized a significant increase in the minimum annual guarantee of its lease going from \$4M to \$15M. The selection of Lotte is being protested and the case is pending before the Supreme Court of Guam.

### **Government Accounting Statements**

The Government Accounting Standards Board (GASB) has issued several statements to be implemented in the next few years. GASB Statement Nos. 67 and 68 related to the *Financial Reporting for Pensions* will result in significant statements as the Airport will be required to report its pro rata share of the government of Guam's (GovGuam) pension liability, which as of FY 2012 is \$1.5 billion (B). Adoption of GASB 67 and 68 are in effect for periods after June 2013 and 2015, respectively.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the Airport present supplementary information on post-employment benefits (OPEB) unlike the pension liability which will be recorded on the financial statements. As of FY 2011, the Airport's pro rata share of GovGuam's OPEB actuarial accrued liability of \$2.1B is \$19.9M.

### **Airport Agreement**

In April 2012, the Airport entered into a 30 year term exchange license agreement with Core Tech International (Core Tech). This agreement allows Core Tech the right to use several buildings owned by the Airport and in exchange, the Airport is allowed the use of Core Tech property on which the Airport inadvertently encroached and made improvements on in past years. The agreement also stipulated no rent will be charged by either party during the term of the agreement.

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

A separate management letter was issued containing five deficiencies to include timely tracking of work in progress reports, collection of custom fees, and excessive volume of post-closing journal entries. A separate letter was also provided on its information technology environment that identified six deficiencies. The Airport received an unqualified (clean) opinion on its compliance report over major federal programs and is commended as no findings pertaining to federal funds were identified.

See the Management Discussion and Analysis for more details. These reports may be downloaded at [www.guamairport.com](http://www.guamairport.com) or at [www.guamopa.org](http://www.guamopa.org).