

*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, 2019 and 2018
with Report of Independent Auditors*



**Building a better
working world**

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, 2019 and 2018

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Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

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 statements of net position of the Antonio B. Won Pat International Airport Authority, Guam (the Authority), a component unit of the Government of Guam, as of September 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, 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 financial position of the Authority as of September 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years 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 30, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on pages 80, 82 and 84, the Schedule of the Authority's Contributions on pages 81, 83, 85 and 87 and the Schedule of the Authority's Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 86 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 89 through 93 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in pages 89 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 93 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 April 23, 2020 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

April 23, 2020

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, 2019

The following Management's Discussion and Analysis of the Antonio B. Won Pat International Airport Authority, Guam's (the "Authority") activities and financial performance provides the reader with an introduction and overview to the financial statements for the fiscal year ("FY") ended September 30, 2019. 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 Australia. 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. The 1993 Airport Bonds, refinanced in 2003, issued by the Authority, federal grants and airport revenues funded the construction of the Airport Terminal Building and the Capital Improvement Program. The Authority issued the 2013 Airport Bonds during the 4th quarter of FY2013 that refunded the 2003 bonds and provided funds for planned capital improvement projects.

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 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.

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

Management's Discussion and Analysis, continued

C. Authority Activities and Highlights

Things continue to look up for the Antonio B. Won Pat International Airport Authority, Guam as more than 1,885,108 enplanements and 3,600,454 passenger movements processed through the island's only commercial airport in FY 2019. This represents a 5.9% increase in enplanements versus FY 2018 and surpasses the previous record of enplanements set in FY 2017 by 1.4%. Total passenger movements reflect an increase of 5.7% increase year-over-year and a 1.1% increase in comparison to FY 2017. This was a significant accomplishment given the large decreases in capacity from the suspension of several routes from Asian countries, mainly from Japan, as the Authority and other stakeholders worked collaboratively to encourage air service from this major Origin/Destination (O&D) market for Guam.

Signatory airlines accounted for 99.5% of the total outbound traffic in FY 2019, which amounted to 1,875,879 enplanements. Non-signatory activity that consists mainly of charter, general aviation operators, and drop-ins, accounted for the remaining .5%, or roughly 9,229 passengers. 94.2% of the Authority's outbound traffic is comprised of origin/destination (O/D) passengers from key markets of Japan, Korea, Taiwan, and China.

International Passenger deplanements which only count arriving, non-transit passengers for FY 2019 amounted to approximately 1,608,684 and correlates to the Guam Visitors Bureau (GVB) statistics of 1,620,954 visitor arrivals via air that was published in October 2019 (see Table 1). This represents a 7.9% increase year-over-year. GVB's report for FY 2019 further reflects a healthy increase after several years of decline in the Japan market of 25.4%, from 530,223 the prior year to 664,784 and accounted for 41% of the visitors to the island. This is a positive trend from this major O&D market, but still remains a far cry from its peak of 901,683 visitors in FY2012. The Korean market maintained its position after surpassing Japan as the prominent O&D market for Guam in FY 2018 bringing in 734,339 visitors and accounting for 45% of the visitors to the island.

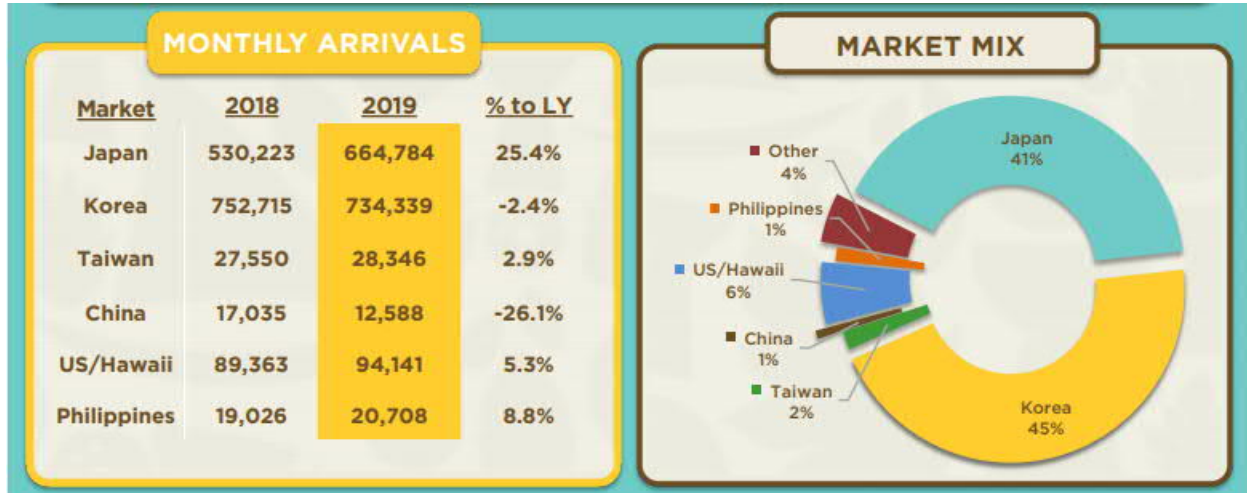
Other source markets, which account for the remaining 14% of travelers to Guam, grew 3.7% year-over-year to 180,897 from 174,391 in FY 2018. The US/Hawaii market, which accounts for 6% of the total arrivals to Guam, saw an increase of 5.3%, from 89,363 to 94,141. Visitors from Taiwan increased 2.9% to 28,346 from 27,550 the prior year. Philippine arrivals were up 8.8% year-over-year from 19,026 to 20,708. The China market continues to experience disruptions due to geo-political issues and diminished capacities from direct and indirect air service within the country and surrounding regions of Taiwan and Hong Kong. The impact on what could potentially be a large O&D market for Guam, resulted in a -26.1% decrease year-over-year to 12,588 visitors versus 17,035 the prior year. Russian visitor arrivals continue to maintain steady growth with 5,189 visitors, reflecting 28.6% increase from 4,035 in FY 2018. Other emerging markets include visitors from Europe, which saw a 7.4% increase from 2,178 to 2,340, and Singapore, which nearly doubled its prior year activity, to a whopping 91.8% increase. From 795 visitors to 1,525 for FY 2019.

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

Management’s Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

Table 1. Guam Visitors Bureau Statistics and Marketing Mix



Source: GVB Statistics published October 2019

The following airlines served the Authority with scheduled passenger service for FY 2019:

United Airlines, Air Busan, Air Seoul, Cebu Pacific, 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
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

ANTONIO B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM				
Management Discussion and Analysis				
Years ended September 30				
Authority Activities and Highlights				
	2019	2018	2017	2019 % Increase (Decrease) from 2018
Major revenue sources:				
Landing fees (a)	\$ 3,529,497	\$ 3,855,236	\$ 3,449,352	-8.4%
Terminal Lease	12,821,452	12,008,558	11,618,961	6.8%
Concessions and parking	22,222,181	23,043,383	24,259,069	-3.6%
Total	\$ 38,573,130	\$ 38,907,177	\$ 39,327,382	-0.9%
Passenger (enplanements) activity:				
Signatory airlines	1,875,879	1,767,087	1,832,104	6.2%
Non signatory and Other airlines	9,229	13,485	26,275	-31.6%
Total enplanements	1,885,108	1,780,572	1,858,379	5.9%
Aircraft operations	54,538	54,592	60,434	-0.1%
Aircraft landed weights (000,000)	3,372,358	3,061,959	3,332,805	10.1%
O & D passengers	3,435,908	3,221,986	3,363,788	6.6%
Transfer passengers	164,546	184,518	197,831	-10.8%
Total passengers	3,600,454	3,406,504	3,561,619	5.7%

Capital Improvements

For the last several years, the Authority has embarked on a multiyear capital improvement program (CIP) based on its 2012 Master Plan Update. Many of the projects are focused on increasing capacity, facilitating passenger processing through the federal inspection services process, and enhancing customer safety and security. Other projects look to reducing airport noise and providing infrastructure that will create future opportunities for our island community. The Authority anticipates spending approximately \$209 million over the next few years to complete these upgrades that would create efficiencies to move people and cargo through the island's key essential facility to its tourism driven economy. The following are CIP projects that are currently underway, in the procurement process, or in the planning process.

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

Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

Projects Currently Underway

- 3rd Floor International Arrivals Concourse w/Seismic Upgrades. The Authority is in the process of constructing a new sterile international arrivals corridor leading from the loading bridges to the federal inspection areas in the passenger terminal building and making additional terminal improvements to replace the portable walls that currently separate departing TSA-screened passengers from non-TSA-screened arriving passengers. The third phase of four phases is currently underway and the project is expected to be completed August 2020. In addition, seismic upgrades to the passenger terminal building's infrastructure are being made in order to support the 3rd Floor International Arrivals Concourse. Sources of funding for this project include proceeds from the Series 2013 Bonds, capital improvement funds, and FAA entitlement grants to complete the estimated \$122 million dollar project.
- Security Screening Checkpoint. The Authority intends to improve the TSA Security Screening Checkpoints in the passenger terminal building by adding additional security lanes and reconfiguring the TSA support space. The TSA is expected to provide equipment for the project with sources of funding coming from the capital improvement funds.
- Aircraft Rescue and Firefighting Facility (ARFF). The Authority intends to construct a new Aircraft Rescue and Firefighting Facility to replace the current aging structure. Construction commenced March 2018. Phase I of the project, which included demolition and site prep, was completed November 2018. Phase II of the project, which includes construction of the facility, is currently underway. The project is expected to be completed November 2020. This \$23.4 million project is funded in large part by \$20.5 million in discretionary grant funds from the FAA.
- Runway 6L/24R Rehabilitation. This project includes rehabilitation of over 9,500 linear feet of the Authority's 12,000 feet primary runway, 6L/24R. Phase Ia of the project, which is expected to commence shortly pending formal Notice to Proceed from the FAA, is anticipated to cost \$11.015 million and will conduct repairs to the areas constructed with Portland Cement Concrete. Total project cost is estimated at approximately \$22 million with 90% financed by the FAA and 10% matching funds from the Authority.
- Residential Sound Solution Program. This project provides for noise mitigation of residences located within the 65db range of continuous operations surrounding the airport. The Authority sound proofed 11 homes and completed the preliminary screening for 70 additional residences.

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 the Procurement Process

- *Airport Aprons & Taxiway Rehabilitation.* This project includes rehabilitating over 1.5 million square feet of the parking/apron areas and the Kilo taxiway in front of the terminal and airfield. The project will enable the Authority 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 total project costs are estimated at \$46 million. 90% of the project is anticipated to be funded using discretionary grants from the FAA with the remaining 10% financed using funds from the Authority.
- *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 is currently negotiating fee proposals for the design. 90% of the project is anticipated to be funded using discretionary grants from the FAA with the remaining 10% financed using funds from the Authority.

Projects in Planning Process

- *Parking Facilities.* The Authority intends to construct a single-level parking deck over the existing commercial vehicle area to replace lost parking capacity resulting from the expansion of Route 10A, the Airport Access Road.
- *IT Upgrades.* The Authority intends to make upgrades to its Information Technology and Financial Management systems and related infrastructure improvements.
- *Passenger Terminal Improvements.* The Authority intends to make certain improvements to the passenger terminal building, including: 1) replacement of flooring in portions of the passenger terminal; 2) enclosure of the arrivals tunnel and installation of a climate control system to expand arrivals lobby area and add commercial space; 3) expand canopies on the departure area curbside; and 4) replace aging terminal seating and install additional seating in the passenger terminal building.
- *Replacement of the Conveyance Systems.* The Authority intends to replace aging elevators, escalators and moving walkways with more energy efficient equipment.
- *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.

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 Authority may in the future, include additional capital projects in the CIP, which may be financed through a combination of Authority funds, Passenger Facility Charge revenues, additional bonds, and/or additional federal grants. These projects will be focused on enhancing capacity, increase safety and security, incorporate modern technology to achieve operational efficiencies, and optimize facility utilization focused on providing world class airport experience for travelers.

Financial and Operational Results

Net Position

FY 2019 saw a 5.7% increase in total passenger activity of 3,600,454 movements from the prior year of 3,406,504. Despite the robust growth rate, the change in net position of the Authority only increased marginally by 1.2% from \$281.5 million to \$284.8 million year-over-year. This could be attributed to the 11.5% increase to \$253.7 million versus \$227.6 million the prior year *Invested in capital assets – net of related debt* as the \$122 million 3rd Floor Arrivals Corridor project and other CIP projects move toward completion. Conversely, this required substantial draw downs on the Authority's *Restricted* net assets by -41.4% from \$57.4 million to \$33.6 million, and its *Unrestricted* net assets by -25.7% from (\$3.5) million to (\$2.6) million, respectively.

In addition to the foregoing, the Authority's conformance with GASB No. 68 (*Accounting and Financial Reporting for Pensions*) and No. 75 (*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*), reflects the Authority's proportionate share of its deferred outflows and deferred inflows for FY 2019. Deferred outflow for pension and other postemployment benefits other than pensions equaled to \$18.0 million versus prior year figure of \$8.1 million, more than twice the prior year by approximately 122.2% year-over-year. Deferred inflow for pension and other postemployment benefits other than pensions saw an even greater increase as well, from \$5.6 million to \$18.8 million, a whopping 236.3% increase for the same period. The large disparities were a result of the Authority's restatement and adjustment of its prior year financials relative to GASB No. 68 and No. 75.

Cost per Enplaned Passenger (CPE) & Debt Service Coverage.

The cost per enplaned passenger (CPE) for signatory airlines is continuously monitored by the Authority, as they strive to provide a competitive cost structure for its airline partners while maintaining a superior and reliable level of airport services. CPE for FY 2019 rose 5.5% from \$17.21 in FY 2018 to \$18.15. The increase resulted from a decrease in non-aeronautical revenues in addition to a surge in operating expenses due to several natural disasters occurring throughout the period. Debt Service Coverage (DSC) for the same time period was recorded at 1.66x, providing sufficient coverage beyond the 1.25x DSC requirement stipulated in the 2013 bond covenants.

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

C. Authority Activities and Highlights, continued

Credit Ratings

The Authority is cognizant of its fiduciary responsibilities and continues to provide sound financial management of Guam's only commercial airport and lifeline to the island's tourism-driven economy. Rating agencies Standard and Poor's (S&P) and Moody's Investor Services reaffirmed the Authority's credit ratings for its General Revenue Bonds issued in 2013. Moody's maintained its Baa2 investment grade rating for the Authority while S&P upgraded theirs from BBB to the next higher-tier level of BBB+. Both agencies issued "stable outlook" for their respective credit ratings. These ratings validate the Authority's prudent financial management and ability to pay down its debt, especially during a period where massive capital improvements and upgrades to its facilities are impacting operational revenues, along with suspension of air service to the market. (*sources: Moody's Report March 2019/S&P Report December 2018*).

Operations

For the 3rd straight year in a row, the Authority achieved a perfect 100% score with zero discrepancies as part of its annual FAR Part 139 certification inspection held October 2018. The extensive certification process determines compliance with 14 U.S. Code of Federal Regulations (CFR) 139, the Airport's Certification Manual and the Airport Operating Certificate that covers 123 fields of federal compliance emphasizing safety and security. This unprecedented status is a true testament to the professionalism and hard work of its employees, tenants, and stakeholders, and evidence of the Authority's strict adherence to the highest standards of safety and security in the procedures and operations of the A.B. Won Pat International Airport.

In recognition of this accomplishment, the Authority was bestowed the prestigious 2019 Airport Safety Award by the FAA's Western Pacific Region Office at its 10th Airports Conference in June 2019. The Authority's management and staff were recognized for the exemplary work accomplished in operating and maintaining the airport to the highest of safety standards. Moreover, the FAA noted that the Authority continues to support the airports of the neighboring Micronesian island airports with operations, security and Aircraft Rescue and Fire Fighting (ARFF) training and resource sharing.

In a report published June 2019 by the National Travel and Tourism Office (NTTO), US Department of Commerce Authority, Guam ranked 10th amongst the top 15 ports of entry for international arrivals for all United States ports in 2018. The Authority received 1,358,225 foreign visitors to the island for the year, behind Chicago, Illinois (1,678,744) and ahead of Ft. Lauderdale, Florida (1,226,1131). Preliminary figures released by the NTTO in August 2019 shows Guam maintaining its ranking through June 2019 with the Authority receiving 1,063,785 foreign visitors, once again trailing behind Chicago (1,123,071) and ahead of Ft. Lauderdale (897,377).

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

D. Financial Operation Highlights

Total Net Position

Aside from the CIP Projects and conformance with GASB No. 68 and 75, the Authority's 1.2% change in net position from \$281.5 million to \$284.8 million year-over-year was further impacted in changes in Total Assets and Deferred Outflow of Resources and change in Total Liabilities.

Total Assets and Deferred Outflow of Resources reflect a .5% increase as current assets were down -7.94% due largely in part to a decrease in disbursements received from the federal government for progress payments of federally funded projects, and the remittance of restricted current assets relative to the Guam Customs User fee. Additionally, non-current assets reflect a -38.0% decrease in restricted assets as drawdowns relative to the 3rd Floor International Arrivals Corridor and other CIP projects move closer to completion.

Total Liabilities were down -4.1% as the Authority continues to pay down its current and long-term liabilities for the same time period. The Authority's financial prudence continue to reflect sound management practices in increasing its Total Liabilities and Net Position .5% from \$611.9 million in FY 2018 to \$615.0 for FY 2019.

The marginal change in net position of \$3.3 million year-over-year, is a result of the Authority's ability to exercise its fiduciary responsibilities while pursuing CIP projects that will increase its capacity and facilitate passengers more efficiently, in a safe and secure traveling environment.

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

Financial Position Summary

A condensed summary of the Authority's Statements of Net Position at September 30, 2019, 2018, and 2017 is shown below:

ANTONIO B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM				
Management Discussion and Analysis				
Years ended September 30				
<u>Financial Position Summary</u>				
<u>ASSETS</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	2019 % Increase (Decrease) from 2018
Current assets:				
Unrestricted current assets	\$ 9,759,401	\$ 10,355,627	\$ 21,475,985	-5.8%
Restricted currents assets	1,881,854	2,289,932	1,982,326	-17.8%
Non-current assets:				
Unrestricted assets	91,231,195	85,449,399	68,117,428	6.8%
Restricted assets	39,266,254	63,351,017	91,028,546	-38.0%
Capital assets	446,553,710	432,542,017	418,738,589	3.2%
Avigation easements	7,845,350	9,121,529	10,397,709	-14.0%
Accounts Receivable - Trade Long Term	507,600	637,200	766,800	-20.3%
Deferred Outflow - Pension	4,597,034	3,794,526	3,877,874	21.1%
Deferred Outflow - Other Post Employment Benefits	13,379,839	4,323,359	5,275,020	209.5%
Total Assets and Deferred Outflow of Resources	\$ 615,022,237	\$ 611,864,606	\$ 621,660,277	0.5%
<u>LIABILITIES</u>				
Current liabilities:				
Payable from unrestricted assets	\$ 24,542,955	\$ 23,772,009	\$ 19,946,752	3.2%
Payable from restricted assets	20,276,979	20,392,509	20,170,952	-0.6%
Long term liabilities	266,556,173	280,459,537	300,764,870	-5.0%
Total	\$ 311,376,107	\$ 324,624,055	\$ 340,882,574	-4.1%
Deferred inflow of resources:				
Deferred differences on refunding of 2013 bonds	\$ 117,061	\$ 172,676	\$ 237,873	-32.2%
Deferred inflow - Pension	898,574	1,464,826	296,651	-38.7%
Deferred inflow - Other Post Employment Benefits	17,869,987	4,114,765	-	
Total Deferred Inflow of Resources	\$ 18,885,622	\$ 5,752,267	\$ 534,524	
<u>NET ASSETS</u>				
Invested in capital assets - net				
of related debt	253,719,950	227,626,465	202,319,134	11.5%
Restricted	33,632,254	57,416,767	84,808,546	-41.4%
Unrestricted	(2,591,696)	(3,554,948)	(6,884,501)	-27.1%
Total Net Position	284,760,508	281,488,284	280,243,179	1.2%
Total liabilities and net position	\$ 615,022,237	\$ 611,864,606	\$ 621,660,277	

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

Operational Revenues

Operational revenues for FY 2019 remained flat year-over-year, which amounted to \$69.3 million, in spite of the 5.7% increase in passenger movements from 3,406,504 to 3,600,454. The Authority's operational revenues, which consist of facilities and use charges, concession fees, rental income, and miscellaneous revenues, saw 10.7% increase in its facilities and use charges of \$3 million from \$28.3 million to \$31.3 million for the same period. This increase was off-set however, by a -3.6% decrease in total concession fees that could be mainly attributed to the -9.9% decrease in general merchandise concession fees of \$1.5 million from \$14.8 million to \$13.3 million, due to operational disruptions caused by the ongoing construction and progress of the Authority's CIP projects.

Aeronautical revenue in FY 2019 generated approximately \$35.6 million and accounted for 51.3% of the Authority's operational revenue. This was the first time in six years that this revenue source accounted for more than 50% of the Authority's operational revenue. The Authority was successful in increasing passenger activity while providing incentives to the respective airline partners without jeopardizing its debt service coverage under the 2013 Bond covenants.

Non-aeronautical revenue which is comprised of concession fees, lease of operating space from non-airline and other tenants, as well rental and miscellaneous income from other sources, continued its downward trend in FY 2019 and only accounted for 48.7% of the Authority's operational revenue. This was the first time in six years that this revenue source, which amounted to \$33.7 for the current year, accounted for less than 50% of the Authority's operational revenues. The \$3.5 million variance from \$37.2 million recorded in FY 2018 is attributed to the aforementioned -9.9% decrease in general merchandise concession fees and a -53.9% decrease in miscellaneous revenues that may be attributed to the reduced reimbursements of legal fees connected to the ongoing suit with DFS.

General merchandise concession revenue continues to account for the largest contribution of operational revenue of approximately 20% annually. The amended agreement with Lotte Duty Free generated \$13.3 million in revenue versus the \$14.8 million generated in FY 2018 for the Authority. This revenue source may have been constrained in FY 2019 by the operational disruptions caused by the ongoing construction for the 3rd Floor Arrivals Concourse.

The 6.1% increase in Food and beverage (F&B) concessions for FY 2019 correlate to the 5.9% growth in enplanements for the same time frame. Revenue from this key concession exceeded the million-dollar threshold for the 4th straight year, amounting to \$1.084 million versus the \$1.021 million recorded the prior year.

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

The average spend per enplaned passenger for general merchandise and F&B was down -14.0% to \$7.65 from \$8.89 the prior year. The reduced dwell time in these key concessions due to the ongoing construction and improvements, exacerbated by the increase in passenger activity, may have impacted the spend per enplanement.

Car rentals continue to grow at a steady rate as revenues surged 8.9% to \$1.67 million versus the prior year figure of \$1.53 million. Ground transportation recovered from its -18.5% decline in FY 2018 which generated \$3.5 million from the prior year. FY 2019 revenues for this concession which accounts for 5-6% of the Authority's operating revenues annually, reflect \$4.0 million collected for the year.

Non-Operating Revenues

Non-operating revenues, which are comprised of interest income, passenger facility charges (PFCs), grants from the US government, and other miscellaneous sources increased 3.7% as a result of the increase in passenger activity for the Authority. Total non-operating revenues amounted to \$18.2 million in FY 2019 versus the \$17.5 million recorded the prior year.

Interest income generated \$2.47 million for the Authority, a 19% increase over figures for FY 2018 of \$2.08 million. The Authority continues to exercise its due diligence in enhancing this particular revenue stream by diversifying its portfolio and investing in short-term, high yield instruments such as certificates of deposits and treasury bonds.

Passenger facility charges which is assessed for enplaned passengers, is used to fund the myriad of capital improvement projects undertaken by the Authority that are federally approved, and can also include payment of debt service for these projects. In FY 2019, the Authority collected \$7.36 million in PFCs, representing a 4.0% increase over the \$7.08 collected in FY 2018.

The Authority aggressively seeks federal funding in the form of grants to fund airport improvements that will enhance the safety, security, or capacity, reduce airport noise, and increase air carrier competition for Guam's only commercial airport. Annually, the Authority receives over \$4 million in entitlement funding that is calculated based on the total number of enplanements from the prior year. In addition, the Authority aggressively pursues and is awarded discretionary grants on an annual basis. These grants can amount to \$6-10 million dollars on average. Since FY 2016, the Authority has been awarded \$41.2 million by the FAA of which \$24.03 million has been received, to include the \$7.7 million received in FY 2019. The revenue from these grants are based on reimbursable payments as the Authority first pays out and then draws down on the grant against the project they were awarded for. \$17.2 million remain undistributed and will be drawn against as the Authority awaits to make progress payments to their respective vendors for the various federally funded CIP projects.

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

Operational Expenses

Operational expenses for the Authority increased by 5.5% year-over-year, equaling \$48.7 million for FY 2019 versus \$46.1 million for FY 2018.

Personnel services, which accounted for the largest increase in operating expenses of 31.0% year-over-year, equaled to \$18.1 million in FY 2019. This was up \$4.2 million from \$13.9 million incurred in FY 2018. This increase may be attributed to the Authority's conformance with GASB No. 68 and No. 73, which reflects true salaries and benefits less pension plans and other post-employment benefits. In addition, the series of Category 5 typhoons (Mangkhut, Yutu and Wutip) that came through the Marianas in FY 2019, required additional overtime for the Authority's personnel to ensure Guam's only commercial airport continued to operate with minimal disruption from the storms, without sacrificing the safety and security of the traveling public. Additionally, Authority personnel were dispatched to the Commonwealth of the Northern Marianas to assist in their recovery efforts.

Contractual services decreased -7.7% for the same period to \$25.5 million versus \$27.7 million the prior year. This reduction in services was mainly attributed to the decrease in legal services required by the Authority in FY 2019.

Material and supplies expenses increased 4.1%, approximately \$49 thousand, from \$1.19 million to \$1.24 million year-over-year. This increase may be attributed to the purchase of new office supplies and equipment, which included: 1) new time clocks to support the updated timekeeping system; 2) continuance of the Authority's MIS upgrades with the replacement of more modern and efficient computer laptops and work stations; and 3) purchase of luggage scales displaced throughout the departure lobby to assist outbound passengers.

Depreciation and amortization expenses remained relatively flat at .2% growth, amounting to \$28.0 million year-over-year.

As of September 30, 2019, the Authority employed 203 full-time employees (FTEs).

Non-Operating Expenses

Non-operating expenses for FY 2019 continue to decrease as the Authority pays down on its debt service and liabilities without incurring additional debt. Total non-operating expenses reflects a -34.1% decrease year-over-year, equating to a \$3.9 million variance to \$7.6 million in FY 2019 versus the previous year of \$11.5 million.

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

D. Financial Operation Highlights, continued

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 nonexclusive 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 A.B. Won Pat International Airport, Guam for FY 2019 are Signatory airlines. They comprised 99.5% of passenger activity for the Authority. They include the following carriers: United Airlines, Air Busan, Air Seoul, Cebu Pacific, 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). An updated agreement was negotiated during FY 2019 and anticipated to take effect in FY 2020 with many of the same carriers.

A summary of revenues for the years ended September 30, 2019, 2018 and 2017 and the amount and percentage of change in relation to prior year is on the following page.

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

D. Financial Operation Highlights, continued

Revenues

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

Revenues

	2019		2018		2017	2019	
	\$	%	\$	%	\$	% Increase	
	<u>2019</u>	<u>of Total</u>	<u>2018</u>	<u>of Total</u>	<u>2017</u>	<u>of Total</u>	<u>(Decrease)</u>
							<u>from 2018</u>
Arrival facilities	\$ 8,523,065	9.7%	\$ 6,438,454	7.4%	\$ 7,217,137	7.8%	32.4%
Departure facilities	8,347,102	9.5%	6,559,487	7.5%	7,262,796	7.9%	27.3%
Passenger loading bridge	5,674,619	6.5%	6,895,713	7.9%	6,152,234	6.7%	-17.7%
Landing fees	3,529,497	4.0%	3,855,235	4.4%	3,449,352	3.7%	-8.4%
Immigration	2,992,580	3.4%	2,143,829	2.5%	2,561,033	2.8%	39.6%
Public apron	1,434,721	1.6%	1,599,047	1.8%	1,624,347	1.8%	-10.3%
Utility recovery charge and other fees	589,105	0.7%	587,975	0.7%	517,710	0.6%	0.2%
Fuel flowage fee	<u>251,570</u>	0.3%	<u>226,352</u>	0.3%	<u>220,539</u>	0.2%	11.1%
Total facilities and use charges	<u>31,342,259</u>	35.8%	<u>28,306,092</u>	32.6%	<u>29,005,148</u>	31.4%	10.7%
General merchandise	13,340,866	15.2%	14,814,811	17.0%	15,262,095	16.5%	-9.9%
Ground transportation	4,056,595	4.6%	3,509,509	4.0%	4,308,545	4.7%	15.6%
Car rental	1,669,979	1.9%	1,533,183	1.8%	1,493,833	1.6%	8.9%
Food and beverage	1,084,172	1.2%	1,021,361	1.2%	1,076,606	1.2%	6.1%
In-flight catering	890,493	1.0%	844,661	1.0%	871,110	0.6%	5.4%
Other	<u>1,180,076</u>	1.3%	<u>1,319,858</u>	1.5%	<u>1,246,880</u>	1.3%	-10.6%
Total concession fees	<u>22,222,181</u>	25.4%	<u>23,043,383</u>	26.5%	<u>24,259,069</u>	25.9%	-3.6%
Operating space - airline	4,268,780	4.9%	3,839,952	4.4%	3,766,025	4.1%	11.2%
Operating space - non airline	4,778,328	5.5%	4,500,606	5.2%	4,196,326	4.5%	6.2%
Other	<u>3,774,344</u>	4.3%	<u>3,668,000</u>	4.2%	<u>3,656,610</u>	4.0%	2.9%
Total rental income	<u>12,821,452</u>	14.6%	<u>12,008,558</u>	13.8%	<u>11,618,961</u>	12.6%	6.8%
Grants from the US Government	415,108	0.5%	413,100	0.5%	421,580	0.5%	0.5%
Grant from the Government of Guam	-	0.0%	11,368	0.0%	28,968	0.0%	-100.0%
Miscellaneous	<u>2,566,924</u>	2.9%	<u>5,571,796</u>	6.4%	<u>5,133,844</u>	5.6%	-53.9%
Total operating	<u>69,367,924</u>	79.2%	<u>69,354,297</u>	79.8%	<u>70,467,570</u>	75.9%	0.0%
Interest income	2,472,913	2.8%	2,077,360	2.4%	1,269,029	1.4%	19.0%
Passenger facility charge	7,362,377	8.4%	7,081,113	8.1%	7,286,165	7.9%	4.0%
Grants from the US Government	7,766,386	8.9%	7,928,287	9.1%	13,586,533	14.7%	-2.0%
Other	<u>627,491</u>	0.7%	<u>496,880</u>	0.6%	<u>174,953</u>	0.3%	26.3%
Total non-operating	<u>18,229,167</u>	20.8%	<u>17,583,640</u>	20.2%	<u>22,316,680</u>	24.1%	3.7%
Total revenues	<u>\$ 87,597,091</u>	100.0%	<u>\$ 86,937,937</u>	100.0%	<u>\$ 92,784,250</u>	100.0%	0.8%

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

D. Financial Operation Highlights, continued

Expenses

A summary of expenses for the years ended September 30, 2019, 2018 and 2017 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							
<u>Expenses</u>	2019		2018		2017		2019
	<u>2019</u>	%	<u>2018</u>	%	<u>2017</u>	%	% Increase (Decrease) from 2018
		of Total		of Total		of Total	
Contractual services	\$ 25,529,975	30.3%	\$ 27,672,687	32.3%	\$ 23,996,751	27.1%	-7.7%
Personnel services	18,131,871	21.5%	13,884,736	16.2%	18,267,920	20.6%	30.6%
Materials and supplies	1,236,584	1.5%	1,187,924	1.4%	1,365,208	1.5%	4.1%
Other	<u>3,762,275</u>	4.5%	<u>3,417,345</u>	4.0%	<u>4,419,075</u>	5.0%	10.1%
Total operating expenses	<u>48,660,705</u>	57.8%	<u>46,162,692</u>	53.9%	<u>48,048,954</u>	54.2%	5.4%
Depreciation and amortization	<u>28,071,896</u>	33.3%	<u>28,017,442</u>	32.7%	<u>27,365,679</u>	30.9%	0.2%
Non-Operating:							
Interest expense	7,528,494	8.9%	9,719,495	11.3%	11,281,416	12.7%	-22.5%
Other	<u>63,771</u>	0.1%	<u>1,793,213</u>	2.1%	<u>1,894,652</u>	2.1%	-96.4%
Total non-operating expenses	<u>7,592,266</u>	9.0%	<u>11,512,708</u>	13.4%	<u>13,176,068</u>	14.9%	-34.1%
Total expenses	<u>\$ 84,324,866</u>	100.1%	<u>\$ 85,692,842</u>	100.0%	<u>\$ 88,590,701</u>	100.0%	-1.6%
Total full time employees	203		209		207		-2.9%

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

D. 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, 2019, 2018 and 2017 and the amount and percentage of change in relation to prior year is as follows:

	<u>2019</u>		<u>2018</u>		<u>2017</u>	
	<u>Actual</u>	<u>% of Total</u>	<u>Actual</u>	<u>% of Total</u>	<u>Actual</u>	<u>% of Total</u>
Airport Revenues						
Signatory Airline rentals and fees	\$ 34,040,355	43.6%	\$ 30,404,908	39.2%	\$ 30,935,494	39.4%
Revenue from sources other than Signatory Airline rentals and fees	34,912,461	44.7%	38,525,895	49.7%	39,075,422	49.8%
Passenger Facility Charge revenue	7,362,377	9.4%	7,081,113	9.1%	7,286,165	9.3%
Operating Grants	415,108	0.5%	424,467	0.5%	450,548	0.6%
Interest Income not related to construction	<u>1,326,717</u>	1.7%	<u>1,060,981</u>	1.4%	<u>746,384</u>	1.0%
Airport Revenues	\$ 78,057,017	100.0%	\$ 77,497,364	100.0%	\$ 78,494,013	100.0%
		%		%		
Signatory Airline enplaned passengers	1,875,879	6.2%	1,767,087	-3.5%	1,832,104	
Signatory Airline cost per enplaned passenger	\$18.15	5.5%	\$17.21	1.9%	\$16.89	

Debt Service Coverage

Under the Bond Indenture for the issuance of the 2013 General Revenue Bonds, the Authority is required to maintain minimum debt service coverage of 1.25 in relation to net revenues versus annual debt service. A summary of the annual debt service coverage for the years ended September 30, 2019, 2018 and 2017 is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Airport Revenues	\$ 78,057,017	\$ 77,497,364	\$ 78,494,013
Less: Operation and Maintenance Expenses	<u>(44,300,723)</u>	<u>(47,497,544)</u>	<u>(45,384,833)</u>
Net Revenues	\$ 33,756,294	\$ 29,999,820	\$ 33,109,180
Plus: Other Available Moneys	<u>5,968,250</u>	<u>5,969,625</u>	<u>5,967,500</u>
Net Revenues and Other Available Moneys	<u>\$ 39,724,544</u>	<u>\$ 35,969,445</u>	<u>\$ 39,076,680</u>
Rate Covenant			
Net Revenues and Other Available Moneys	\$ 39,724,544	\$ 35,969,445	\$ 39,076,680
Total Annual Debt Service	\$ 23,873,000	\$ 23,878,500	\$ 23,870,000
Annual Debt Service Coverage	1.66	1.51	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

E. Outlook for FY 2020

FY 2020 initially looked to be another record-breaking year for the Authority. Through the first four months (October-January) more than 593,704 visitors came to Guam (GVB Passenger Statistics, February 2020). Those figures were before Guam's economy along with the rest of the world's global markets succumbed to the Corona Virus (COVID-19) Pandemic.

Corona Virus (COVID-19) Pandemic

The Corona Virus Pandemic began in late December in Wuhan, China and the effects of the pandemic finally reared its ugly head on Guam in March 2020. The impact of this deadly virus began to affect Guam's tourism driven economy in February 2020, and for the Authority, many of its airline partners.

Through April 2020, more than 948 flights (equal to approximately 175,000 seats) have been canceled. The Authority estimates approximately \$9 million in revenue will be lost during this time frame and may be exacerbated if the pandemic continues as many of the neighboring O/D markets like Korea, Japan and China have restricted their residents from traveling in an effort to decrease community spread and contain this worldwide pandemic.

Essential Facility

Notwithstanding the Pandemic Outbreak, the Authority continues to do its share to mitigate this unprecedented situation. In the meantime, as the caretaker of a key essential facility and economic driver for the island and the region, and with more than three million passenger movements annually, the Authority will continue to find ways to connect Guam and the rest of the Micronesian region to the outside world through a symbiotic relationship with its airline partners.

The Authority accommodates over 50,000 flights annually, providing connectivity through 11 signatory carriers to 18 origination points in Asia, Micronesia and the mainland United States via one-stop service through Honolulu, Hawaii or major Asian cities in Japan and Korea.

While the Authority aspires to connect people and business, and promote commerce, its focus is to make Guam's only commercial airport more than a connecting point. In FY 2020, the Authority will embark on a journey to transform the airport into a "destination" where a passenger's travel experience is exceptional, in and throughout the facility, and is positively sustained in a safe, secure airport environment.

The Authority will continue to develop programs and the infrastructure that will create future opportunities for our island and our communities throughout our region. Over \$200 million in capital improvement projects are currently underway, under procurement, or in the design phases. These projects are focused on enhancing the safety and security of the community and the traveling public, increase capacity, reduce airport noise, and generate or sustain air service to current or new

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

E. Outlook for FY 2020, continued

markets. Other priorities include workforce development to increase capacity and enhance the Authority's labor force while laying the foundation for succession planning.

The Authority will continue to exercise prudent financial management in carrying out its fiduciary responsibilities. In addition, it will continue to pay down its debt service while looking for ways to enhance its revenue streams and pursue other revenue generating opportunities, in order to sustain a favorably operating environment for our airline partners and other stakeholders.

Capital Improvements

As the pandemic eases, the Authority will proceed with its multiyear CIP program identified in its 2012 Master Plan update, and look to proceed with an update in 2020 that will include but not be limited to: 1) identifying near and long-term facility expansion and capital requirements; 2) identify standards of the "Next Generation Airport,"; 3) identify best practices to achieve optimal utilization of the airport facilities and environ; 4) a review of the Runway Protection Zone; 5) inclusion of a live-fire burn facility; and 6) other sustainability programs. There will also be a financing feasibility component that would be the basis for the financial plan to obtain funds for these projects.

In the meantime, the Authority will remain diligent in mitigating and minimizing the operational disruptions caused by the ongoing construction. The following are the CIP projects and their prospective status for FY 2020:

Projects Currently Underway

- *3rd Floor International Arrivals Concourse w/Seismic Upgrades.* The completion of this key project will allow the Authority a permanent solution to efficiently and effectively conform with an unfunded TSA-mandate issued in 2004 to separate departing TSA-screened passengers from non-TSA-screened arriving passengers. The total project completion is anticipated to be completed August 2020. This project also includes the seismic upgrades to the passenger terminal building's infrastructure in order to support the 3rd Floor International Arrivals Concourse. Sources of funding for this project include proceeds from the Series 2013 Bonds, capital improvement funds, and FAA entitlement grants to complete the estimated \$122 million dollar project.
- *Security Screening Checkpoint.* The expansion of the TSA Security Screening Checkpoints in the passenger terminal building is expected to be completed by April 2020. Two

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Management's Discussion and Analysis, continued

E. Outlook for FY 2020, continued

additional lanes with space for a 3rd lane are in the final stages of completion. This will provide throughput capacity of 300 passengers per hour to be screened with room for expansion. TSA is expected to provide equipment for the project with sources of funding coming from the capital improvement funds.

- *Aircraft Rescue and Firefighting Facility (ARFF)*. The new ARFF facility is scheduled to be completed to be substantially completed in FY 2020 with a project completion date of November 2020. This \$23.4 million project is funded in large part by \$20.5 million in discretionary grant funds from the FAA that provides the Authority with a new state-of-the-art facility that will improve response time in the event of a crisis situation.
- *Runway 6L/24R Rehabilitation*. The first phase of this project is expected to proceed in the 2nd quarter of FY 2020. Phase Ia will provide much needed rehabilitation and reconstruction to over 1,550 linear feet covering 155,000 square feet of area at a cost of \$11.015 million for areas constructed as early as 1953. Total project cost is estimated at approximately \$20 million with 90% financed by the FAA and 10% matching funds from the Authority.
- *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 (NCP) which is a key component of the RSSP and in hopes of proceeding with the sound proofing of homes in the near future as funding becomes available by the FAA.

Projects in the Procurement Process

- *Airport Aprons & Taxiway Rehabilitation*. This project includes rehabilitating over 1.5 million square feet of the parking/apron areas and the Kilo taxiway in front of the terminal and airfield. The project will enable the Authority 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 total project costs are estimated at \$46 million. 90% of the project is anticipated to be funded using discretionary grants from the FAA with the remaining 10% financed using funds from the Authority.
- *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

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Management's Discussion and Analysis, continued

E. Outlook for FY 2020, continued

Cargo Facility located approximately one-half mile west of the air terminal. The Authority is currently negotiating fee proposals for the design. 90% of the project is anticipated to be funded using discretionary grants from the FAA with the remaining 10% financed using funds from the Authority.

Projects in Planning Process

- *Parking Facilities.* The Authority intends to construct a single-level parking deck over the existing commercial vehicle area to replace lost parking capacity resulting from the expansion of Route 10A, the Airport Access Road.
- *IT Upgrades.* The Authority intends to make upgrades to its Information Technology and Financial Management systems and related infrastructure improvements.
- *Passenger Terminal Improvements.* The Authority intends to make certain improvements to the passenger terminal building, including: 1) replacement of flooring in portions of the passenger terminal; 2) enclosure of the arrivals tunnel and installation of a climate control system to expand arrivals lobby area and add commercial space; 3) expand canopies on the departure area curbside; and 4) replace aging terminal seating and install additional seating in the passenger terminal building.
- *Replacement of the Conveyance Systems.* The Authority intends to replace aging elevators, escalators and moving walkways with more energy efficient equipment.
- *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.

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. 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.

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

E. Outlook for FY 2020, continued

- 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 Hagatna 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 GIAA's primary runway without disrupting services to residences located in this area.
- Guam Spaceport. The Authority has been working closely with Virgin Orbit and the FAA to establish the Airport as a US Spaceport. This would provide space exploration companies like Virgin Orbit, horizontal air launch capabilities for its orbital satellites. Guam's position near the equator makes it an ideal location for an equatorial launch site which is more efficient and cost effective for these types of operations. The Authority is working towards obtaining its license to operate as a spaceport, which has distinct operating parameters extremely different from that of a standard airport.

The Authority is constantly looking for interested investors to explore development of Guam's only commercial airport, through public private partnerships. The Authority's financing models would allow potential PPP partners to amortize their capital outlay, realize a return on their investments, and provide beneficial occupancy over the life of the lease for their organization or its end users.

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Management's Discussion and Analysis, continued

E. Outlook for FY 2020, continued

Air Service Development

The Authority processed 3.6 million passengers through its facility in FY 2019, a feat they had hope to surpass in FY 2020 before the Corona Pandemic hit. The air service incentives as well as the "Team Guam" approach which is comprised of the Authority's management team along with industry partners from the Guam Visitors' Bureau and the Guam Economic Development Authority yielded positive results in maintaining and increasing air service from existing and new markets. The Authority was anticipating several increases in air service for FY 2020 including service to Muan, Korea 1x daily adding 1,302 seats weekly and access to an additional 1.9 million potential travelers from this market. Based on the Authority's Signatory Airlines budgetary projections for FY 2020, enplanements were expected to grow by 4% from 1.88 million enplanements in FY 2019 to 1.96 million year-over-year.

This was consistent with the 4.0% growth industry wide projected by the International Air Transport Association (IATA) based on their 2020 outlook published in December 2019. In addition, the IATA report reflects a positive outlook for 2020 as disruptions from geopolitical issues dissipate and a fear of global recession recedes, due in large part to optimistic global growth in gross domestic product (GDP). Moreover, stable oil prices of \$63/barrel for Brent crude through 2020 bodes for a more favorable operating environment for airlines. This is promising for many airlines and the industry, with IATA projecting another year of profitability for the 11th consecutive year.

Asian carriers will continue to have higher demand for seats but yields will be much less than that of US or European airlines. Asian airlines profit margins are expected to be \$3.30, per passenger (which may be attributed to the proliferation of Low-Cost Carriers in the region) versus the \$16.0 for US carriers and \$6.40 for European carriers respectively.

While the Corona Pandemic has temporarily impacted these projections, the IATA report is very encouraging for the Authority as Guam continues to be a very popular destination for Asian travelers, especially as a beach destination by travelers from Korea and Japan. The Authority will continue to work with its airline partners and the "Team Guam" approach to continue to develop business and tourism opportunities for Guam.

In the near term, the Authority will work closely with its airline partners to mitigate the impacts of the Corona Pandemic. According to an IATA report published March 24, 2020, the revenue impacts from the Pandemic owing to the severity of travel restrictions and the expected global recession, is projected to be an unprecedented \$252 billion loss industry wide, approximately 44% below 2019's production. Asian carriers are expected to be hit the hardest with projections of \$88 billion in losses. For Guam, the impacts of this apocalyptic outbreak are unprecedented, even with

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Management's Discussion and Analysis, continued

E. Outlook for FY 2020, continued

the natural disasters we've faced or the impact of the 9/11 attacks. Airline activity into the island is near a standstill at 90% with only two flights operating daily. Airlines are seeking relief and the Authority has granted a 100% rebate on landing and apron parking fees effective April through June 2020. The Authority will consider other courses of action once the Pandemic is over and can quantify the financial impacts to assist its airlines and other partners in recovering from this worldwide crisis.

Prior to the Pandemic, the following table (Table 2) reflects some of the proposed air service increases for FY 2020 by the Authority's airline partners:

TABLE 2: AIR SERVICE INCREASES FOR FY 2020

AIRLINE O&D STATION	CURRENT	NEW	EFFECTIVE DATE (S)	ADDED WEEKLY SEAT CAPACITY
United Airlines				
Osaka (KIX)	7x weekly	10x weekly	12/10/19	465
Nagoya (NGO)	11x weekly	14x weekly	10/28/19	465
Saipan (SPN)	9x weekly	10x weekly	12/10/19	155
Weekly Seats:				1,085
Philippine Airlines				
Manila (MNL)	7x weekly	9x weekly (2 flights by PAL Express)	3/1/20	398
Weekly Seats:				1,085
Jeju Airlines				
Nagoya (NGO)	0	3x weekly	1/12/20 - 4/4/20	558
Fukuoka (FUK)	0	7x weekly	12/28/19 - 4/4/20	1,302
*Muan (MWX)	0	7x weekly	12/24/19 - 3/7/20	1,302
Winter Charters			12/5/19 - 1/9/20	
**Nagoya (NGO)		6		1,134
**Matsuyama (MYJ)		6		1,134
**Okayama (OKJ)		2		378
**Fukuoka (FUK)		2		378
**Narita (NRT)		6		1,134
**New Chitose Airport (CTS)		4		756
Weekly Seats:				8,076
Air Seoul				
Seoul (ICN)	7x weekly	9x weekly	10/1/19 - 10/26/19	1,560
Weekly Seats:				1,560
Jin Air				
Busan (PUS)	7x weekly	14x weekly	12/26/19	1,036
Seoul (ICN)	7x weekly	14x weekly	12/2/19 - 3/1/20	1,036
Seoul (ICN) (2) Upgaugage of Aircraft for 1x daily	1x weekly (B737-800)	1x weekly (B777-200)	12/2/19 through	1,491
Weekly Seats:				1,560

*New destination

**Seasonal charter

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Management's Discussion and Analysis, continued

E. Outlook for FY 2020, continued

Financial Results

The Authority began FY 2020 on a positive note by achieving \$18.4 million in debt service savings through FY 2021, through the \$37 million refunding of its Series A & B General Revenue Bonds in October 2019. By reducing its interest rate from 6% to 3.5% on these general revenue bonds, the Authority positioned itself to move forward with various capital improvement projects that will enhance its services, as well as safety and security at the airport. More importantly, the debt service savings and cash flow relief provide the Authority the ability to access close to \$100 million in federal funding for eligible projects like the runway rehabilitation, and the taxiway and apron rehabilitation projects. In hindsight, the refunding may also alleviate some of the burden the Corona Pandemic has on the operational expenses for the Authority for FY 2020.

Nevertheless, the response received from the financial markets for the Authority's refunding action is an indication of the confidence investors have in the Authority's ability to repay its debt service. This was reflected in the credit ratings issued by S&P and Moody's who assigned stable outlooks with BBB+ and Baa2 ratings respectively to the bond sale. The Authority looks to improve, or at the very least, maintain its annual credit ratings in FY 2020 by continuing to exercise sound financial management that will provide the best financial posture with respect to its financial performance, debt and liability capacities, strong liquidity position and financial flexibility. The Authority is looking to complete a Financial Milestone Plan by June 2020 that would provide a balance between sustaining credit ratings and maintaining its debt service coverage required by the respective bond covenants, while providing for maximum financial support of its operational requirements.

Considering the myriad of ongoing construction projects under its CIP program, the Authority remains committed to minimizing operation disruptions and impacts due to the Corona Pandemic. The Authority is keenly aware that these impacts may result in a higher CPE for FY 2020 but is working to mitigate the disruptions and maintain the current range of \$17-\$18 per enplaned passenger.

The 2019 Series A & B General Revenue bond refunding is projected to reduce the Authority's debt service from \$23.9 million to \$13.9 million for FY 2020. The debt service savings projects a strong DSC of 2.03x in FY 2020, which is sufficient coverage over the 1.25x requirement under the respective Bond Covenants.

In terms of revised projections, the Authority is anticipating a 26% reduction in flight activity, with a correlating drop in enplanements of 28%, equal to approximately 555,378 passengers. The Authority is anticipating a 17% drop in forecasted revenues by \$12.9 million, but does not expect this loss in revenues to affect its liquidity position. Some of the measures to reduce operating expenses during this Pandemic include, but not limited to the following:

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Management's Discussion and Analysis, continued

E. Outlook for FY 2020, continued

- Carry forward net revenue from October 2019 through January 2020 of \$3.1 million
- Implement a 5% O&M budget cut (\$3.9 million in savings) through the end of FY'20
- Reduce terminal operations due to decreased flight activity
- Utilize \$9 million from the 2019 Bond refunding if needed

More importantly, the Authority has taken several measures to ensure public health, reduce community spread and contain the virus on Guam, which is first and foremost, the primary objective during the Pandemic outbreak. While there are no anticipated reductions-in-force, a “non-essential” hiring freeze has been implemented, and non-essential employees have been mandated by the Governor of Guam via Executive Order to stay home through May 5, 2020.

The Authority's strategic approach in its fiduciary responsibilities will ensure they maintain and develop the infrastructure to support its operations, maintain its growth, protect its revenue streams, and seek opportunities for future airport development. Moreover, its keen understanding of its ethical and social obligations is paramount to the safety and security of the traveling public and all other airport stakeholders. By optimizing its ability to enhance its revenue streams, increase its capacity, and facilitate efficiencies, the Authority will continuously strive to provide a competitive cost structure and conducive business environment for its airline partners, airport users, tenants, and other stakeholders.

Workforce Development

As the caretakers of the island's key essential facility to its tourism-driven economy, the Authority is operationally sound, safe and secure. The Authority must maintain a core work force to maintain the daily operations of Guam's only commercial airport and is looking for ways to enhance its employee skills in support of succession planning. A comprehensive training plan is being developed to address and enhance key technical skills necessary to maintain a 24/7 operational facility. This plan is expected to be completed by June 2020.

The Authority is working to maximize local training resources and optimize training through the recently established Micronesia Training Center (MARTC), in collaboration with the Airports Council International (ACI). ACI is committed to providing industry specific training for airport personnel on Guam and throughout the region.

In addition, the Authority will be hosting the 2020 Aerodrome Symposium on Guam projected for July 2020. This symposium which is overseen by the FAA, will bring airport leaders and personnel from throughout Micronesia and the surrounding regions to listen to experts discuss the latest issues and developments impacting the aviation industry, share best management practices, and network with industry professionals and experts.

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Management's Discussion and Analysis, continued

E. Outlook for FY 2020, 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 Corona Pandemic, the Authority will continue to develop Guam's only commercial airport, managing the ongoing CIP 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.

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Statements of Net Position

	September 30,	
	2019	2018
Assets		
Current assets:		
Unrestricted assets:		
Cash (Note 3)	\$ 2,264,110	\$ 630,783
Passenger facility charge cash (Note 3)	69,019	2,601
Accounts receivable, trade, net of allowance for doubtful accounts of \$635,766 at September 30, 2019 (\$1,455,681 at September 30, 2018) (Note 3)	5,833,123	6,879,825
Accounts receivable from tenant (Notes 3 and 9)	129,600	129,600
Passenger facility charge receivables (Note 3)	964,618	1,420,524
Receivables from the United States Government	134,334	541,478
Inventory and other	364,597	567,236
Current portion of note receivable from tenant, net of allowance for doubtful accounts of \$337,640 at September 30, 2018	---	183,580
Total unrestricted current assets	9,759,401	10,355,627
Restricted assets:		
Customs fees, cash (Note 3)	274,773	14
Customs fees, receivables (Note 12)	1,607,081	2,289,918
Total restricted current assets	1,881,854	2,289,932
Total current assets	11,641,255	12,645,559
Accounts receivable from tenant, unrestricted (Notes 3 and 9)	507,600	637,200
General Revenue Bonds (Note 7)		
Investments and cash with trustees, unrestricted	91,231,195	85,449,399
Investments and cash with trustees, restricted	39,266,254	63,351,017
	130,497,449	148,800,416
Depreciable capital assets, net (Notes 4 and 11)	265,084,340	288,953,643
Non-depreciable capital assets (Notes 4 and 11)	181,469,370	143,588,374
Avigation easements (Note 4)	7,845,350	9,121,529
Deferred outflows of resources:		
Pension (Note 8)	4,597,034	3,794,526
Other postemployment benefits (Note 8)	13,379,839	4,323,359
Total deferred outflows of resources	17,976,873	8,117,885
Total assets and deferred outflows of resources	615,022,237	611,864,606

See accompanying notes.

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Statements of Net Position, continued

	September 30,	
	<u>2019</u>	<u>2018</u>
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable - trade	\$ 4,524,016	\$ 3,866,222
Accounts payable - construction	10,998,824	11,200,853
Other liabilities (Note 11)	5,038,022	4,651,520
Security deposits	2,319,707	2,434,277
Current portion of annual leave (Note 10)	407,129	433,858
Current portion of long-term loan payable to bank (Notes 6 and 10)	<u>1,255,257</u>	<u>1,185,279</u>
Total payable from unrestricted assets	<u>24,542,955</u>	<u>23,772,009</u>
Payable from restricted assets:		
Customs fees payable to Treasurer of Guam (Note 12)	2,037,979	2,448,259
General Revenue Bonds:		
Current installments (Notes 5 and 10)	12,605,000	12,010,000
Accrued interest	<u>5,634,000</u>	<u>5,934,250</u>
Total payable from restricted assets	<u>20,276,979</u>	<u>20,392,509</u>
Total current liabilities	<u>44,819,934</u>	<u>44,164,518</u>
Non-current liabilities:		
Payable from unrestricted assets:		
Accrued sick leave (Notes 8 and 10)	148,110	185,143
Long-term portion of annual leave (Note 10)	831,129	872,202
Long-term loan payable to bank (Notes 6 and 10)	4,793,384	5,999,752
Net pension liability (Notes 8 and 10)	33,826,304	32,118,582
Collective total other postemployment benefit liability (Notes 8 and 10)	45,048,838	46,614,484
Payable from restricted assets:		
Long-term bonds payable, less current installments:		
General Revenue Bonds (Notes 5 and 10)	<u>181,908,408</u>	<u>194,669,374</u>
Total non-current liabilities	<u>266,556,173</u>	<u>280,459,537</u>
Total liabilities	<u>311,376,107</u>	<u>324,624,055</u>
Deferred inflows of resources:		
Deferred differences on refunding of 2013 bonds (Note 5)	117,061	172,676
Pension (Note 8)	898,574	1,464,826
Other postemployment benefits (Note 8)	<u>17,869,987</u>	<u>4,114,765</u>
Total deferred inflows of resources	<u>18,885,622</u>	<u>5,752,267</u>
Commitments and contingencies (Notes 5, 6, 9 and 11)		
Net position:		
Net investment in capital assets	253,719,950	227,626,465
Restricted for:		
Capital projects (Notes 4 and 11)	39,266,254	63,351,017
Debt service (Notes 5 and 7)	(5,634,000)	(5,934,250)
Unrestricted	<u>(2,591,696)</u>	<u>(3,554,948)</u>
Total net position	<u>\$ 284,760,508</u>	<u>\$ 281,488,284</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam
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Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2019</u>	<u>2018</u>
Revenues (<i>Note 5</i>):		
Facilities and systems usage charges (<i>Note 3</i>)	\$ 31,342,258	\$ 28,306,092
Concession fees (<i>Notes 3 and 9</i>)	22,222,181	23,043,383
Rental income (<i>Note 9</i>)	12,821,451	12,008,558
Miscellaneous	<u>2,566,926</u>	<u>5,571,796</u>
	<u>68,952,816</u>	<u>68,929,829</u>
Operating costs and expenses:		
Contractual services (<i>Notes 9 and 11</i>)	25,529,980	27,672,687
Personnel services	18,131,872	13,884,736
Materials and supplies	<u>1,236,583</u>	<u>1,187,924</u>
Total operating costs and expenses	<u>44,898,435</u>	<u>42,745,347</u>
Income from operations before depreciation and amortization	24,054,381	26,184,482
Depreciation and amortization	<u>(28,071,895)</u>	<u>(28,017,440)</u>
Operating loss	<u>(4,017,514)</u>	<u>(1,832,958)</u>
Non-operating revenues (expenses):		
Passenger facility charge income	7,362,377	7,081,113
Interest income	2,472,916	2,077,360
Grants from the United States Government	415,108	413,100
Interest expense	<u>(7,528,494)</u>	<u>(9,719,495)</u>
Other expenses, net	<u>(3,071,554)</u>	<u>(4,634,079)</u>
Non-recurring expenses	<u>(127,001)</u>	<u>(79,591)</u>
Grant from Government of Guam - Office of Highway Safety (OHS)	<u>---</u>	<u>11,368</u>
Total non-operating revenues (expenses), net	<u>(476,648)</u>	<u>(4,850,224)</u>
Loss before capital grants	<u>(4,494,162)</u>	<u>(6,683,182)</u>
Capital grants from the United States Government	<u>7,766,386</u>	<u>7,928,287</u>
Increase in net position	3,272,224	1,245,105
Net position at beginning of year	<u>281,488,284</u>	<u>280,243,179</u>
Net position at end of year	<u>\$ 284,760,508</u>	<u>\$ 281,488,284</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam
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Statements of Cash Flows

	Year ended September 30,	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 70,697,385	\$ 66,367,357
Cash paid to suppliers for goods and services	(26,197,396)	(24,257,044)
Cash paid to employees	(17,897,745)	(17,823,297)
Other operating cash receipts	<u>---</u>	<u>11,368</u>
Net cash provided by operating activities	<u>26,602,244</u>	<u>24,298,384</u>
Cash flows from investing activities:		
Proceeds from sale of investments	18,302,967	10,345,558
Investment interest income	2,472,916	2,077,360
Collection from note receivable from tenant	<u>183,580</u>	<u>---</u>
Cash provided by investing activities	<u>20,959,463</u>	<u>12,422,918</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of airport facilities and avigation easement	(36,636,789)	(39,067,166)
Principal payment on 2013 General Revenue Bonds	(12,221,581)	(11,660,882)
Interest paid on 2013 General Revenue Bonds	(11,568,250)	(12,154,250)
Principal payment on loan payable to bank	(1,136,390)	(1,119,201)
Interest paid on loan payable to bank	(431,114)	(448,303)
Passenger facility charge receipts	7,818,283	6,708,495
U.S. Government capital and operating grants	<u>8,588,638</u>	<u>17,283,186</u>
Net cash used in capital and related financing activities	<u>(45,587,203)</u>	<u>(40,458,121)</u>
Net increase (decrease) in cash	1,974,504	(3,736,819)
Cash at beginning of year	<u>633,398</u>	<u>4,370,217</u>
Cash at end of year	<u>\$ 2,607,902</u>	<u>\$ 633,398</u>
Consisting of:		
Unrestricted	\$ 2,333,129	\$ 633,384
Restricted - current	<u>274,773</u>	<u>14</u>
	<u>\$ 2,607,902</u>	<u>\$ 633,398</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>2019</u>	<u>2018</u>
Reconciliation of operating loss and other expenses to net cash provided by operating activities:		
Operating loss	\$(4,017,514)	\$(1,832,958)
Other and non-recurring expenses	(<u>3,198,555</u>)	(<u>4,702,302</u>)
	(<u>7,216,069</u>)	(<u>6,535,260</u>)
Adjustments to reconcile operating loss and other expenses to net cash provided by operating activities:		
Depreciation and amortization	28,071,895	28,017,440
Non-cash OPEB cost	3,686,372	3,766,228
Non-cash pension costs	3,846,965	32,426
Loss on disposal of assets	---	1,119,786
(Increase) decrease in assets:		
Accounts receivable	1,729,539	(1,442,787)
Inventory and other	202,639	(50,461)
Accounts receivable from tenant	129,600	129,600
Increase (decrease) in liabilities:		
Accounts payable	45,485	3,760,211
Other current liabilities	386,502	1,149,947
Security deposits and unearned income	(114,570)	(1,249,285)
Annual leave	(67,802)	51,390
Sick leave	(37,033)	(439,010)
Collective total OPEB liability	(553,276)	(428,474)
Net pension liability	(<u>3,508,003</u>)	(<u>3,583,367</u>)
Total adjustments	<u>33,818,313</u>	<u>30,833,644</u>
Net cash provided by operating activities	\$ <u>26,602,244</u>	\$ <u>24,298,384</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, 2019 and 2018

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, 2019 and 2018 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
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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 Statement 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
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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 Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement. The implementation of this statement did not have a material effect on the accompanying financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have a material effect on the accompanying financial statements.

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

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. GASB Statement No. 84 will be effective for fiscal year ending September 30, 2020.

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, 2021.

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, 2021.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 will be effective for fiscal year ending September 30, 2020.

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 May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of 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, 2022.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statement no. 73 and 84 for postemployment benefits, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 will be effective for fiscal year ending September 30, 2020.

In April 2020, GASB issued Statement No. 93 Replacement of Interbank Offered Rates. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021.

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 April 23, 2020, which is also the date the financial statements were available to be issued.

In October 2019, the Authority issued and sold \$37 million in refunding bonds at an interest rate of 3.5%. The proceeds from the refunding bonds was utilized to refund the Authority's Series A and B General Revenue Bonds.

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

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, 2019 and 2018, \$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 20% and 22% of total operating revenues for the years ended September 30, 2019 and 2018, respectively. Receivables from the primary concessionaire totaled \$161,643 and \$851,036 at September 30, 2019 and 2018, respectively.

For the years ended September 30, 2019 and 2018, approximately 22% and 20%, respectively, of the Authority's total operating revenues, including passenger facility charge income, were derived from one airline customer. At September 30, 2019 and 2018, the receivable from this airline customer totaled \$1,964,690 and \$2,604,140, 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.

4. Airport Facilities

A summary of changes in capital assets for the year ended September 30, 2019 is as follows:

	Beginning Balance <u>October 1, 2018</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance September 30, <u>2019</u>
Depreciable capital assets:				
Terminal building	\$409,971,229	\$ 194,482	\$ ---	\$410,165,711
Other buildings	118,593,439	48,164	2,434,856	121,076,459
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>10,154,424</u>	<u>32,069</u>	<u>216,842</u>	<u>10,403,335</u>
Total capital assets depreciated	764,734,456	274,715	2,651,698	767,660,869
Less accumulated depreciation	<u>(475,780,813)</u>	<u>(26,586,357)</u>	<u>(209,359)</u>	<u>(502,576,529)</u>
	<u>\$288,953,643</u>	<u>\$(26,311,642)</u>	<u>\$ 2,442,339</u>	<u>\$265,084,340</u>
Non-depreciable capital assets:				
Land	\$ 61,832,623	\$ ---	\$ ---	\$ 61,832,623
Construction-in-progress	<u>81,755,751</u>	<u>40,782,806</u>	<u>(2,901,810)</u>	<u>119,636,747</u>
	<u>\$143,588,374</u>	<u>\$40,782,806</u>	<u>\$(2,901,810)</u>	<u>\$181,469,370</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, 2018 is as follows:

	Beginning Balance <u>October 1, 2017</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance September 30, <u>2018</u>
Depreciable capital assets:				
Terminal building	\$405,556,624	\$ 137,123	\$ 4,277,482	\$409,971,229
Other buildings	117,390,799	176,995	1,025,645	118,593,439
Airfield area	172,515,848	12,514	105,318	172,633,680
Apron area	28,632,976	---	---	28,632,976
Terminal area	24,748,708	---	---	24,748,708
Support facilities	<u>10,154,424</u>	<u>---</u>	<u>---</u>	<u>10,154,424</u>
Total capital assets depreciated	758,999,379	326,632	5,408,445	764,734,456
Less accumulated depreciation	(449,039,550)	(26,741,263)	<u>---</u>	(475,780,813)
	<u>\$309,959,829</u>	<u>\$(26,414,631)</u>	<u>\$ 5,408,445</u>	<u>\$288,953,643</u>
Non-depreciable capital assets:				
Land	\$ 61,832,623	\$ ---	\$ ---	\$ 61,832,623
Construction-in-progress	<u>46,946,137</u>	<u>41,337,844</u>	<u>(6,528,230)</u>	<u>81,755,751</u>
	<u>\$108,778,760</u>	<u>\$ 41,337,844</u>	<u>\$(6,528,230)</u>	<u>\$143,588,374</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, 2019 and 2018 included \$1,089,285 and \$404,785, respectively, of costs associated with the residential sound insulation program. At September 30, 2019 and 2018, the Authority's avigation easements (net of amortization) amounted to \$7,845,350 and \$9,121,529, respectively, and are shown as avigation easements in the accompanying statements of net position.

Antonio B. Won Pat International Airport Authority, Guam
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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, 2019 and 2018 totaled \$4,170,620 and \$2,597,308, 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.

5. Long-Term Revenue Bonds Payable

Long-term revenue bonds payable at September 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</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 \$12,605,000 due in October 2019	\$192,695,000	\$204,705,000
Less current installments	<u>12,605,000</u>	<u>12,010,000</u>
	180,090,000	192,695,000
Add net unamortized premium on bonds	<u>1,818,408</u>	<u>1,974,374</u>
	<u>\$181,908,408</u>	<u>\$194,669,374</u>

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

5. Long-Term Revenue Bonds Payable

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

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2020	\$ 12,605,000	\$ 10,952,875	\$ 23,557,875
2021	13,230,000	10,307,000	23,537,000
2022	13,885,000	9,629,125	23,514,125
2023	14,580,000	8,865,525	23,445,525
2024	15,415,000	8,008,625	23,423,625
2025-2029	18,675,000	35,146,375	53,821,375
2030-2034	25,060,000	28,569,213	53,629,213
2035-2039	33,700,000	19,643,084	53,343,084
2040-2044	<u>45,545,000</u>	<u>7,420,822</u>	<u>52,965,822</u>
	<u>\$192,695,000</u>	<u>\$138,542,644</u>	<u>\$331,237,644</u>

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)	<u>199,040,000</u>
	<u>\$247,335,000</u>

The 2013 Bonds were obtained for the following:

- a. current 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, 2019 and 2018, the unamortized balance of the difference in refunding totaled \$117,061 and \$172,676, respectively, as presented in the accompanying statements 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, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</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. The loan is subject to U.S. Department of Agriculture's (USDA) written commitment to the bank to guaranty no less than 90% of the loan to the Authority	\$6,048,641	\$7,185,031
Less current installments	<u>1,255,257</u>	<u>1,185,279</u>
	<u>\$4,793,384</u>	<u>\$5,999,752</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

On June 27, 2012, the Authority entered into a loan agreement with First Hawaiian Bank (FHB) to finance the Authority's energy efficient upgrades. The loan amount is for \$11.9 million. Repayments during the years ended September 30, 2019 and 2018 amounted to approximately \$1,136,390 and \$1,119,201, respectively. The \$11.9 million is subject to USDA's Loan Note Guarantee, which was executed by USDA on March 10, 2014.

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.

As part of the loan conditions, the Authority shall maintain a minimum debt service ratio of 1.25 to 1.

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

Year ending September 30,

2020	\$1,255,257
2021	1,329,000
2022	1,408,000
2023	1,491,000
2024	<u>565,384</u>
	<u>\$6,048,641</u>

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

7. Investments and Cash with Trustees

The aforementioned 2013 bond indenture requires 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, 2019 and 2018, investments and cash held by the trustees, in trust for the Authority, in these funds and accounts are as follows:

	<u>2019</u>	<u>2018</u>
Operations and Maintenance Reserve Fund	\$ 12,381,319	\$ 12,381,104
General Revenue Fund	9,536,749	5,595,985
Federal Grant Fund	7,926,838	7,651,781
Risk and Loss Management Reserve Fund	6,612,148	6,498,133
Capital Improvement Fund	42,537,121	45,460,649
Operations and Maintenance Fund	<u>12,237,020</u>	<u>7,861,747</u>
Total Unrestricted	<u>91,231,195</u>	<u>85,449,399</u>
Bond Reserve Fund	19,686,112	19,212,257
Debt Service Fund	18,317,616	17,995,139
Renewal and Replacement Fund	1,000,249	1,000,249
Construction Fund	<u>262,277</u>	<u>25,143,372</u>
Total Restricted	<u>39,266,254</u>	<u>63,351,017</u>
	<u>\$130,497,449</u>	<u>\$148,800,416</u>

At September 30, 2019 and 2018, investments and cash held by trustees are comprised of the following:

	<u>2019</u>	<u>2018</u>
Cash	\$ 864,448	\$ 24,558,140
Investments	<u>129,633,001</u>	<u>124,242,276</u>
	<u>\$130,497,449</u>	<u>\$148,800,416</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.

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Notes to Financial Statements, continued

7. Investments and Cash with Trustees, continued

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 requirement of the 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, 2019 and 2018.

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.

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

7. Investments and Cash with Trustees, continued

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

		At September 30, 2019			
		Level 1	Level 2	Level 3	
Investments by fair value level					
Debt securities:					
U.S. Treasury securities	\$ 10,171,882	\$ 10,171,882	\$ ---	\$ ---	
Exchange traded products (ETP) - Fidelity Investments	6,572,313	6,572,313	---	---	
Corporate bonds	1,338,785	---	1,338,785	---	
Federal National Mortgage Association (FNMA)	1,934,874	---	1,934,874	---	
Federal Home Loan Mortgage Corporation (FHLMC)	2,260,712	---	2,260,712	---	
Total investments by fair value level	22,278,566	\$ 16,744,195	\$ 5,534,371	\$ ---	
Investments measured at the net asset value (NAV)					
Money market funds (MMF) - Fidelity Investments	70,494,440				
MMF - US Bank, NA	18,571,105				
Investments measured at a cost based measure					
Guaranteed Investment Contracts (GIC) -					
US Bank, NA	9,549,194				
Time certificates of deposit (TCD)	8,739,696				
	\$ 129,633,001				
		At September 30, 2018			
		Level 1	Level 2	Level 3	
Investments by fair value level					
Debt securities:					
FHLMC	\$ 2,973,962	\$ ---	\$ 2,973,962	\$ ---	
FNMA	1,860,148	---	1,860,148	---	
U.S. Treasury securities	9,976,138	9,976,138	---	---	
ETP - Fidelity Investments	4,238,311	4,238,311	---	---	
Corporate bonds	1,924,416	---	1,924,416	---	
Mutual funds - Fidelity Investments	1,179,093	1,179,093	---	---	
Total investments by fair value level	22,152,068	\$ 15,393,542	\$ 6,758,526	\$ ---	
Investments measured at NAV					
MMF - Fidelity Investments	65,875,814				
MMF - US Bank, NA	18,010,488				
Investments measured at a cost based measure					
TCD	8,654,712				
GIC - US Bank, NA	9,549,194				
	\$ 124,242,276				

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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, 2019 and 2018 is as follows:

At September 30, 2019			At September 30, 2018		
	Standard & Poor's/Moody's Credit Rating	Amount		Standard & Poor's/Moody's Credit Rating	Amount
FHLMC	Aaa/AAA	\$ 2,260,712	FHLMC	AA/Aaaa	\$ 2,973,962
FNMA	Aaa/AAA	1,934,874	FNMA	AA/Aaaa	1,860,148
Corporate bonds	Aaa/AAA	8,001	Corporate bonds	Aaa/AAA	39,810
Corporate bonds	Aa/AA	319,366	Corporate bonds	Aa/AA	298,425
Corporate bonds	A	828,114	Corporate bonds	A	886,000
Corporate bonds	Baa/BBB	183,304	Corporate bonds	Baa/BBB	200,396
GIC	Unrated	9,549,194	GIC	Unrated	9,549,194
			Corporate bonds	Ba	499,785

At September 30, 2019 and 2018, the Authority had the following investments and maturities:

Investment type	At September 30, 2019				
	Total	Less than 1	1 - 5	6 - 10	More than 10
MMF	\$ 89,065,545	\$ 89,065,545	---	\$ ---	\$ ---
U.S. Treasury securities	10,171,882	7,118,456	3,053,426	---	---
GIC	9,549,194	---	9,549,194	---	---
TCD	8,739,696	8,739,696	---	---	---
ETP	6,572,313	6,572,313	---	---	---
FHLMC	2,260,712	1,953,796	306,916	---	---
FNMA	1,934,874	1,885,358	49,516	---	---
Corporate bonds	1,338,785	375,975	930,602	32,208	---
	<u>\$ 129,633,001</u>	<u>\$ 115,711,139</u>	<u>\$ 13,889,654</u>	<u>\$ 32,208</u>	<u>\$ ---</u>

Investment type	At September 30, 2018				
	Total	Less than 1	1 - 5	6 - 10	More than 10
MMF	\$ 83,886,302	\$ 83,886,302	---	\$ ---	\$ ---
FHLMC	2,973,962	2,877,373	96,589	---	---
TCD	8,654,712	8,654,712	---	---	---
FNMA	1,860,148	---	1,860,148	---	---
U.S. Treasury securities	9,976,138	2,037,830	7,938,308	---	---
GIC	9,549,194	---	---	9,549,194	---
ETP	4,238,311	4,238,311	---	---	---
Corporate bonds	1,924,416	778,011	1,146,405	---	---
Mutual funds	1,179,093	1,179,093	---	---	---
	<u>\$ 124,242,276</u>	<u>\$ 103,651,632</u>	<u>\$ 11,041,450</u>	<u>\$ 9,549,194</u>	<u>\$ ---</u>

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

8. Employee Benefits

General Pension Plan Descriptions

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 Government of Guam Retirement Fund (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.

The Guam Retirement Security Plan (GRSP) is the primary retirement plan for new employees beginning January 1, 2018, unless the employee elects to participate in the DCRS within 60 days of the employee's hire date. Certain existing and reemployed employees are also provided limited opportunity to participate in the GRSP. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary. The employer makes matching contributions at the same rate of 6.2% of the employee's base salary.

In September 2016, Public Law 33-186 was enacted to create two benefits under the DB Plan. Beginning January 2018, the DB 1.75 Plan and GRSP are to become the primary retirement systems for all new hires. 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 or the new GRSP 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 26.56% and 27.83%, respectively, for the years ended September 30, 2019 and 2018. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2019 and 2018.

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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 20 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 15.58 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 Fund'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 and 3.1 years in the 2018 actuarial 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)	29%	7.47%	2.17%
U.S. Equities (small cap)	7%	8.73%	0.61%
Non-U.S. Equities	16.5%	9.27%	1.53%
Non-U.S. Equities (emerging markets)	2%	11.09%	0.22%
U.S. Fixed Income (aggregate)	21.5%	4.67%	1.00%
Risk Parity	8%	6.50%	0.52%
High Yield Bonds	8%	6.59%	0.53%
Global Real Estate (REITs)	5%	8.60%	0.43%
Master Limited Partnerships	3%	6.56%	0.20%
Expected average return for one year			7.21%
Expected geometric mean (30 years)			6.69%

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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 30 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.

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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 20 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 15.58 years.

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 4.18% and 3.64% for the years ended September 30, 2019 and 2018, 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 20 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 15.58 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.

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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, 2019	September 30, 2018
Measurement Date:	September 30, 2018	September 30, 2017
Valuation Date:	September 30, 2017	September 30, 2016

Net pension liability as of September 30, 2019 and 2018 for the aforementioned plans are as follows:

	<u>2019</u>	<u>2018</u>
DB Plan	\$29,987,434	\$28,053,913
Ad hoc COLA/SA Plan for DB Participants	2,785,670	2,698,911
Ad hoc COLA Plan for DCRS Participants	<u>1,053,200</u>	<u>1,365,758</u>
	<u>\$33,826,304</u>	<u>\$32,118,582</u>

Proportionate share of net pension liabilities at September 30, 2019 and 2018 for the aforementioned plans are as follows:

	<u>2019</u>	<u>2018</u>
DB Plan	2.54%	2.46%
Ad hoc COLA/SA Plan for DB Participants	0.96%	0.94%
Ad hoc COLA Plan for DCRS Participants	2.13%	2.19%

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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, 2019 and 2018 for the aforementioned Plans are as follows:

	<u>2019</u>	<u>2018</u>
DB Plan	\$3,791,058	\$(937,980)
Ad hoc COLA/SA Plan for DB Participants	328,834	847,148
Ad hoc COLA Plan for DCRS Participants	<u>(272,927)</u>	<u>123,258</u>
	<u>\$3,846,965</u>	<u>\$ 32,426</u>

As of September 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2019					
	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	\$ ---	\$ ---	\$ ---	\$ ---	\$ 151,318	\$(9,625)
Net difference between projected and actual earnings on pension plan investments	---	(537,580)	---	---	---	---
Authority contributions subsequent to the measurement date	3,106,326	---	215,570	---	40,000	---
Changes in assumption	---	---	---	(92,458)	125,436	(140,570)
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>791,446</u>	<u>---</u>	<u>88,734</u>	<u>---</u>	<u>78,205</u>	<u>(118,341)</u>
	<u>\$ 3,897,772</u>	<u>\$(537,580)</u>	<u>\$ 304,304</u>	<u>\$(92,458)</u>	<u>\$ 394,959</u>	<u>\$(268,536)</u>
	September 30, 2018					
	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	\$ ---	\$ ---	\$ ---	\$ ---	\$ 62,054	\$(10,609)
Net difference between projected and actual earnings on pension plan investments	---	(1,363,384)	---	---	---	---
Authority contributions subsequent to the measurement date	2,242,956	---	226,046	---	38,000	---
Changes in assumption	---	---	---	---	137,937	(90,833)
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>18,990</u>	<u>---</u>	<u>14,406</u>	<u>---</u>	<u>85,415</u>	<u>---</u>
	<u>\$ 2,261,946</u>	<u>\$(1,363,384)</u>	<u>\$ 240,452</u>	<u>\$ ---</u>	<u>\$ 323,406</u>	<u>\$(101,442)</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, 2019 and 2018, resulting from the Authority's employer contributions for the following plans are as follows:

	<u>2019</u>	<u>2018</u>
DB Plan	\$3,106,326	\$2,242,956
Ad hoc COLA/SA Plan for DB Participants	215,570	226,046
Ad hoc COLA Plan for DCRS Participants	<u>40,000</u>	<u>38,000</u>
	<u>\$3,361,896</u>	<u>\$2,507,002</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:

2020	\$782,228
2021	(451,760)
2022	(256,036)
2023	152,080
2024	12,472
Thereafter	<u>97,581</u>
	<u>\$336,565</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>\$38,237,248</u>	<u>\$29,987,434</u>	<u>\$22,905,921</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>3.18%</u>	Current Discount Rate <u>4.18%</u>	1% Increase <u>5.18%</u>
Collective total pension liability	<u>\$3,047,424</u>	<u>\$2,785,670</u>	<u>\$2,559,438</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

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>3.18%</u>	Current Discount <u>4.18%</u>	1% Increase <u>5.18%</u>
Collective total pension liability	<u>\$1,184,825</u>	<u>\$1,053,200</u>	<u>\$940,777</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, 2019 and 2018 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, 2019 and 2018, contributions made and amounts accrued under the DCRS amounted to \$797,369 and \$301,524, 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, 2019 and 2018, the Authority has accrued an estimated liability of \$148,110 and \$185,143, 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 (Non-Medicare):	13.5% for 2019, 6.75% for 2020, decreasing 0.25% per year to an ultimate rate of 4.25% for 2030 and later years.
Healthcare cost trend rate (Medicare):	-25% for 2019, 6.75% for 2020, decreasing 0.25% per year to an ultimate rate of 4.25% for 2030 and later years.
Health 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 4.18% and 3.63% for the years ended September 30, 2019 and 2018, 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 6.02 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, 2019	September 30, 2018
Measurement Date:	September 30, 2018	September 30, 2017
Valuation Date:	September 30, 2018	September 30, 2016

Collective total OPEB liability as of September 30, 2019 and 2018 is \$45,048,838 and \$46,614,484, respectively.

Proportionate share of collective total OPEB liability at September 30, 2019 and 2018 is 2.40% and 1.92%, respectively.

OPEB expense for the years ended September 30, 2019 and 2018 is \$3,686,372 and \$3,766,228, 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, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ ---	\$(10,297,181)	\$ ---	\$ ---
Authority contributions subsequent to the measurement date	502,180	---	440,077	---
Changes in assumptions	3,262,709	(7,476,494)	3,466,056	(3,994,495)
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>9,614,950</u>	<u>(96,312)</u>	<u>417,226</u>	<u>(120,270)</u>
	<u>\$ 13,379,839</u>	<u>\$(17,869,987)</u>	<u>\$ 4,323,359</u>	<u>\$(4,114,765)</u>

Deferred outflows of resources at September 30, 2019 and 2018, resulting from the Authority's employer contributions totaled \$502,180 and \$440,077, 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:

2020	\$(813,665)
2021	(813,666)
2022	(813,665)
2023	(1,974,136)
2024	<u>(577,196)</u>
	<u>\$(4,992,328)</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>3.18%</u>	Current Discount Rate <u>4.18%</u>	1% Increase <u>5.18%</u>
Total OPEB Liability	<u>\$53,127,024</u>	<u>\$45,048,838</u>	<u>\$38,559,768</u>

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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:

	1% Decrease <u>3.50%</u>	Current Rate <u>4.50%</u>	1% Increase <u>5.50%</u>
Total OPEB Liability	<u>\$37,566,071</u>	<u>\$45,048,838</u>	<u>\$54,734,919</u>

9. Leases

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, 2019 and 2018, the Authority recorded rental income under the Lotte Agreement totaling \$13,307,418 and \$14,781,573, respectively, for use of the main rental space.

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Notes to Financial Statements, continued

9. Leases, continued

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.

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.

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Notes to Financial Statements, continued

9. Leases, continued

Future minimum lease income under the Lotte Concession Agreement as of September 30, 2019 is as follows:

Year ending <u>September 30,</u>	
2020	\$13,934,999
2021	15,160,000
2022	15,160,000
2023	<u>12,633,333</u>
Total future minimum lease income	<u>\$56,888,332</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.

For the years ended September 30, 2019 and 2018, the Authority accrued rental income totaling \$288,450 and \$286,200, respectively, and is included as a component of rental income in the accompanying statements of revenues, expenses and changes in net position. At September 30, 2019 and 2018, accrued rental receivable totaled \$637,200 and \$766,800, respectively, and is shown as accounts receivable from tenant in the accompanying statement of net position.

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Notes to Financial Statements, continued

9. Leases, continued

Pac Air Properties, LLC, continued

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

Year ending <u>September 30,</u>	
2020	\$ 313,200
2021	313,200
2022	313,200
2023	313,200
2024	315,900
2025 - 2029	1,730,700
2030 - 2034	1,893,150
2035 - 2039	2,082,600
2040 - 2044	2,299,050
2045 - 2049	2,542,050
2050 - 2054	2,785,500
2055 - 2059	<u>3,000,150</u>
Total future minimum lease income	<u>\$17,901,900</u>

The Authority has a lease-back agreement, expiring in 2020, 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 each of the years ended September 30, 2019 and 2018 totaled \$1,058,000 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 for the year ending September 30, 2020 totals \$923,400.

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Notes to Financial Statements, continued

9. Leases, continued

Pac Air Properties, LLC, continued

On December 2010, the Authority entered into 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 5 years, with annual rental income of \$1,024,200. Effective October 1, 2015, the sublease agreement was continued for an additional 5 years with annual rental of \$780,000. Rental income for each of the years ended September 30, 2019 and 2018 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 for the year ending September 30, 2020 totals \$780,000.

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 nine of the Authority's 11 passenger air carriers serving the Airport (the "Signatory Airlines"). The Authority is currently negotiating and expects to execute a new airline operating agreement with Philippine Airlines, which is currently operating on a month-to-month basis under the terms of its existing airline operating agreement that expired on September 30, 2016. Cebu Air Pacific suspended its operations on Guam on December 7, 2019. The lease agreements with six rent-a-car companies expired on June 2016. These agreements are currently under month-to-month extensions pending negotiated agreements. Other ground lease agreements will expire during the period of September 2019 through September 2035.

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, 2019 are as follows:

Year ending September 30,

2020	\$ 5,562,000
2021	4,955,000
2022	4,534,000
2023	3,414,000
2024	3,419,000
Thereafter	<u>3,083,000</u>
Total future minimum lease income	<u>\$24,967,000</u>

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Notes to Financial Statements, continued

10. Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal year 2019 is as follows:

	Outstanding October 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2019</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued sick leave	\$ 185,143	\$ ---	\$ 37,033	\$ 148,110	\$ ---	\$ 148,110
Accrued annual leave	1,306,060	1,064,451	1,132,253	1,238,258	407,129	831,129
Loan payable to bank	7,185,031	---	1,136,390	6,048,641	1,255,257	4,793,384
Net pension liability	32,118,582	1,707,722	---	33,826,304	---	33,826,304
Collective total other postemployment benefit liability	46,614,484	---	1,565,646	45,048,838	---	45,048,838
2013 General revenue bonds	<u>206,679,374</u>	<u>---</u>	<u>12,165,966</u>	<u>194,513,408</u>	<u>12,605,000</u>	<u>181,908,408</u>
	<u>\$294,088,674</u>	<u>\$2,772,173</u>	<u>\$16,037,288</u>	<u>\$280,823,559</u>	<u>\$14,267,386</u>	<u>\$266,556,173</u>

A summary of changes in long-term liabilities during fiscal year 2018 is as follows:

	Outstanding October 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2018</u>	<u>Current</u>	<u>Noncurrent restated</u>
Accrued sick leave	\$ 624,153	\$ ---	\$ 439,010	\$ 185,143	\$ ---	\$ 185,143
Accrued annual leave	1,254,670	1,121,782	1,070,392	1,306,060	433,858	872,202
Loan payable to bank	8,304,232	---	1,119,201	7,185,031	1,185,279	5,999,752
Net pension liability	36,921,046	---	4,802,464	32,118,582	---	32,118,582
Collective total other postemployment benefit liability	48,343,156	---	1,728,672	46,614,484	---	46,614,484
2013 General revenue bonds	<u>218,275,059</u>	<u>---</u>	<u>11,595,685</u>	<u>206,679,374</u>	<u>12,010,000</u>	<u>194,669,374</u>
	<u>\$313,722,316</u>	<u>\$1,121,782</u>	<u>\$20,755,424</u>	<u>\$294,088,674</u>	<u>\$13,629,137</u>	<u>\$280,459,537</u>

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Notes to Financial Statements, continued

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 has assisted in preparing a draft 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 draft 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 are the authorized signatories for the DD.

The Authority's responsibilities under the Remedial Action are limited to groundwater sampling and testing as currently performed. A new task is for the Authority to conduct a 5 year review to ensure the remedial action continues to be protective of human health and the environment. In the near future, the ongoing sampling and testing requirements will be reduced or completely eliminated. A specific request to this effect has been sent to 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 draft 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, 2019 and 2018, future pollution remediation and monitoring costs totaling \$479,614 and \$159,315, 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.

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

11. Commitments and Contingencies, continued

Commitments

The Authority has commitments totaling approximately \$56.9 million under several construction contracts at September 30, 2019.

In addition, the Authority has commitments under other various contracts totaling approximately \$11.3 million at September 30, 2019.

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, 2019 and 2018, the balances in the Renewal and Replacement Fund and Risk and Loss Management Reserve Fund are \$1 million and \$5 million, respectively. The Authority has a catastrophic insurance policy with coverage up to \$5 million as a supplement to the self-insurance.

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, 2019 and 2018. This position has been supported by legal determinations, past and present.

During the year ended September 30, 2019, 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.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

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 2020. 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.

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.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

DFS Guam L.P. Specialty Retail Protest Litigation, continued

With the stay in place pending appeal, the Lotte Agreement remains in place. The Authority has already appealed the Amended Judgment, and DFS filed a cross-appeal. Oral arguments were heard on July 9, 2019 and an opinion from the Supreme Court is pending. The Authority cannot predict with reasonable certainty the probability of a favorable or unfavorable outcome. The worst-case outcome for the Authority is if the Supreme Court affirms the Amended Judgment and voids the Lotte Agreement, putting in jeopardy the \$15.1 million in annual rent received by the Authority under the Lotte Agreement. Although an unlikely result in light of what the Authority perceives as errors committed by the Court, the Authority is considering various remedial measures to mitigate this potential financial harm including the possibility of allowing Lotte to remain in the space for the remainder of the 10 year concession term. Additionally, if the Authority must issue a new solicitation for the specialty retail concession, the Authority expects to receive minimum annual guarantee (MAG) offers of no less than the MAG currently being paid by Lotte.

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 Court stayed the Tort Action pending decisions in DFS Protest Litigation actions.

The Authority is not a party to the Tort Action, but DFS has raised allegations 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 currently considering various options 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. The Authority has moved to dismiss this action for failure to prosecute, which is still pending before the Superior Court.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

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

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. The appeal is stayed pending a decision on DFS’s motion to correct an error in the Confirmation Order.

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. This motion 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. 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, 2019 and 2018, 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. Briefing will be complete by March, and oral argument is currently scheduled for July 9, 2019.

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.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

DFS Sunshine Act Lawsuit, continued

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

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, 2019 and 2018, \$262,000 remained as unpaid obligation for inactive employees.

Coronavirus

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the novel coronavirus (COVID-19) outbreak as a "Public Health Emergency of International Concern." Due to continual spike in the number of COVID-19 cases in China, Japan, Korea and the Philippines, 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, it is reasonably possible that the Authority's financial position, results of operations, and/or cash flows will be 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
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Notes to Financial Statements, continued

12. Customs, Agriculture and Quarantine Inspection Services Charge

During the years ended September 30, 2019 and 2018, 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, 2019 and 2018, fees assessed to air carriers related to the aforementioned arrangement totaled approximately \$13.8 and \$12.7 million, respectively. For the years ended September 30, 2019 and 2018, remittances to the Treasurer of Guam related to the aforementioned arrangement totaled approximately \$10.7 and \$9.5 million, respectively. For the years ended September 30, 2019 and 2018, the Authority offset \$3.5 and \$3.3 million, respectively of customs fee payable with amounts owed from GovGuam CQA for its various lease agreements with the Authority.

At September 30, 2019 and 2018, the Authority recorded customs fees payable to the Treasurer of Guam totaling \$2,037,979 and \$2,448,259, respectively, for the above charges, of which \$1,607,081 and \$2,289,918, 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>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	2.54%	2.46%	2.45%	2.35%	2.45%	2.32%
Authority's proportionate share of the net pension liability	\$ 29,987,434	\$ 28,053,913	\$ 33,532,175	\$ 32,241,435	\$ 30,570,481	\$ 30,256,332
Authority's covered payroll	\$ 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	228.93%	211.67%	255.82%	241.44%	239.05%	234.85%
Plan fiduciary net position as a percentage of total pension liability	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 3,106,326	\$ 2,242,956	\$ 2,966,912	\$ 3,060,666	\$ 3,178,277	\$ 3,297,500	\$ 2,857,688	\$ 2,405,802	\$ 2,372,679	\$ 2,241,150
Contribution in relation to the contractually required contribution	<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>	<u>2,372,679</u>	<u>2,241,150</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 payroll	\$ 8,387,759	\$ 9,747,686	\$ 13,253,631	\$ 13,107,529	\$ 13,353,696	\$ 12,788,348	\$ 12,883,180	\$ 10,356,825	\$ 10,295,803	\$ 9,728,359
Contribution as a percentage of the Authority's covered payroll	37.03%	23.01%	22.39%	23.35%	23.80%	25.79%	22.18%	23.23%	23.05%	23.04%

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportionate share of the collective total pension liability	\$ 2,785,670	\$ 2,698,911	\$ 2,086,977	\$ 2,034,619
Authority's proportion of the collective total pension liability	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 215,570	\$ 226,046	\$ 224,018	\$ 218,041	\$ 214,041	\$ 198,678	\$ 150,712	\$ 168,354	\$ 133,356	\$ 163,798
Contribution in relation to the contractually required contribution	<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>	<u>133,356</u>	<u>163,798</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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportionate share of the collective total pension liability	\$ 1,053,200	\$ 1,365,758	\$ 1,301,894	\$ 1,043,706
Authority's proportion of the collective total pension liability	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>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	\$ 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>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>

*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>2019</u>	<u>2018</u>	<u>2017</u>
Authority's proportion of the total collective other postemployment benefit liability	2.40%	1.92%	1.91%
Authority's proportionate share of the collective total other postemployment benefit liability	\$ 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 502,180	\$ 440,077	\$ 445,487	\$ 408,841	\$ 362,761	\$ 256,563	\$ 261,312	\$ 301,527	\$ 338,697	\$ 222,514
Contribution in relation to the contractually required contribution	<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>	<u>338,697</u>	<u>222,514</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)

Note to Required Supplementary Information
(Unaudited)

Changes of Assumptions – Pension Plans

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, 2019 and 2018

Schedule 9
Facilities and Systems Usage Charges

	<u>2019</u>	<u>2018</u>
Arrival facilities	\$ 8,523,065	\$ 6,438,454
Departure facilities	8,347,101	6,559,487
Passenger loading bridge usage charge	5,674,620	6,895,713
Landing	3,529,497	3,855,235
Immigration	2,992,580	2,143,829
Public apron	1,434,721	1,599,047
Utility recovery and other fees	589,104	587,975
Fuel flowage	251,570	226,352
	\$ 31,342,258	\$ 28,306,092

Schedule 10
Concession Fees

	<u>2019</u>	<u>2018</u>
General merchandise	\$ 13,340,865	\$ 14,814,811
Ground transportation	4,054,755	3,509,509
Car rental	1,669,980	1,533,183
Food and beverage	1,084,172	1,021,361
In-flight catering	890,493	844,661
Advertising	413,531	422,895
Other	277,330	286,196
Money exchange	237,760	361,334
Parking lot	253,295	249,433
	\$ 22,222,181	\$ 23,043,383

Schedule 11
Rental Income

	<u>2019</u>	<u>2018</u>
Operating space:		
- Non-airline	\$ 4,778,327	\$ 4,500,606
- Airline	4,268,780	3,839,952
Building and maintenance shop rentals	1,834,670	1,745,336
Other	1,656,908	1,650,350
Cargo rentals	282,766	272,314
	\$ 12,821,451	\$ 12,008,558

Antonio B. Won Pat International Airport Authority, Guam
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Years ended September 30, 2019 and 2018

Schedule 12
Contractual Services

	<u>2019</u>	<u>2018</u>
Repairs and maintenance	\$ 7,892,655	\$ 7,397,088
Professional services	6,773,452	8,446,397
Power	6,266,316	6,092,037
Miscellaneous	2,234,746	3,339,953
Advertising and promotions	819,781	858,310
Utilities and telephone	677,472	683,985
Insurance	574,573	545,588
Travel/training and certifications	290,985	309,329
	<u>\$ 25,529,980</u>	<u>\$ 27,672,687</u>

Schedule 13
Personnel Services

	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 13,286,188	\$ 13,099,014
Retirement contributions	3,925,004	(132,232)
Insurance	920,680	917,954
	<u>\$ 18,131,872</u>	<u>\$ 13,884,736</u>
Full-time employee count in September	<u>203</u>	<u>209</u>

Schedule 14
Materials and Supplies

	<u>2019</u>	<u>2018</u>
Equipment and vehicle maintenance and supplies	\$ 482,914	\$ 401,927
Office and security supplies	359,696	230,454
Electrical and plumbing	182,526	219,974
Miscellaneous	132,588	207,726
Building maintenance and supplies	78,859	127,843
	<u>\$ 1,236,583</u>	<u>\$ 1,187,924</u>

Antonio B. Won Pat International Airport Authority, Guam
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Year ended September 30, 2019

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
AIG/National Union Fire Insurance Company of Pittsburg, PA.	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
Dongbu Insurance Co., Ltd. Seoul, Korea	Workers' Compensation	\$ 1,000,000
AIG/National Union Fire Insurance Company of Pittsburg, PA.	Crime Insurance	\$ 1,000,000

Antonio B. Won Pat International Airport Authority, Guam
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Years ended September 30, 2019 and 2018

Schedule 16
Debit Service Computation

	Year ended September 30,	
	<u>2019</u>	<u>2018</u>
Net revenues		
Revenues:		
Operating revenues	\$ 68,952,816	\$ 68,929,829
Non-operating revenues: passenger facility charge income	7,362,377	7,081,113
Non-operating revenues: interest income	2,472,913	2,077,360
Non-operating revenues: grants from the United States Government	415,108	413,100
Capital grants from the United States	7,766,386	7,928,287
Non-operating revenues: grants from the Government of Guam	---	11,368
Less:		
Investment income from CIF related funds	(1,146,197)	(1,016,377)
Capital grants from the United States	(7,766,386)	(7,928,287)
Operation and maintenance expense	(44,898,430)	(42,745,347)
Other bookkeeping entries-noncash pension cost	3,846,966	33,396
Other bookkeeping entries-noncash OPEB cost	3,686,372	3,766,228
Actual contribution to GGRF	(3,361,896)	(3,475,724)
Actual contribution to DOA	(502,180)	(440,077)
Miscellaneous expenses	(3,071,555)	(4,635,049)
	<u>\$ 33,756,294</u>	<u>\$ 29,999,820</u>
Other available monies (lesser of amount in capital improvement fund or 25% of debt service fund)		
Capital improvement fund	\$ 42,537,121	\$ 45,460,649
25% of debt service	\$ 5,968,250	\$ 5,969,625
	<u>\$ 5,968,250</u>	<u>\$ 5,969,625</u>
Aggregate annual debt service		
Sum of interest due during the year	\$ 11,268,000	\$ 11,868,500
Sum of principal due during the year	12,605,000	12,010,000
	<u>\$ 23,873,000</u>	<u>\$ 23,878,500</u>
Debt service ratio		
Net revenues	\$ 33,756,294	\$ 29,999,820
Other available monies	5,968,250	5,969,625
	<u>\$ 39,724,544</u>	<u>\$ 35,969,445</u>
Divided by: aggregate annual debt service	\$ 23,873,000	\$ 23,878,500
	<u>1.66</u>	<u>1.51</u>

Antonio B. Won Pat International Airport Authority, Guam
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Years ended September 30, 2019 and 2018

Schedule 17
Employee Data

Department	Employees (a)		Personnel Services (b)	
	2019	2018	2019	2018
Board	1	0	\$ 25,113	\$ 21,411
Administration	35 (c)	35 (c)	3,546,166	1,962,717
Property Management	10	11	909,658	761,859
Accounting	11	11	983,116	763,670
Engineering	10	10	891,757	745,743
Operations	21	22	1,864,848	1,529,520
Properties & Facilities Maintenance	36	37	2,613,216	2,105,923
Airport Police	46	47	4,108,500	3,338,500
Aircraft Rescue Fire Fighting	33	36	3,189,498	2,655,393
Total	<u>203</u>	<u>209</u>	<u>\$ 18,131,872</u>	<u>\$ 13,884,736</u>

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:

	2019	2018
Executive management	5	4
Administrative support	14	12
Personnel	3	5
Marketing	3	3
Procurement	5	6
Management information system	5	5
	<u>35</u>	<u>35</u>