

*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, 2020 and 2019
with Report of Independent Auditors*



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

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

Years ended September 30, 2020 and 2019

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Report of Independent Auditors

The Board of Directors

Antonio B. Won Pat International Airport Authority, Guam

Report on the Financial Statements

We have audited the accompanying 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, 2020 and 2019, 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, 2020 and 2019, 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 25, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on pages 78, 80 and 82, the Schedule of the Authority's Contributions on pages 79, 81, 83 and 85 and the Schedule of the Authority's Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 84 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 87 through 91 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in pages 87 through 90 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 91 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 February 26, 2021 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

February 26, 2021

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, 2020

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, 2020. 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.

A. Mission Statement

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

B. Using the Financial Statements

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

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

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

C. Authority Activities and Highlights

FY 2020 was looking to be another record-breaking year for the Authority. Through the first five months (October-February) of the fiscal year, 1,605,143 passengers passed through the Authority's doors. This included 806,359 passenger enplanements (departing & transit passengers) and 798,784 arriving passengers. This was before Guam, along with the rest of the world's global markets, succumbed to the 2019 Novel Coronavirus (COVID-19) pandemic. As the gravity of the situation became clearer, the Authority braced for its lowest fiscal year since its expansion into the current terminal facility.

The Authority closed out FY 2020 with 884,060 enplanements and 1,749,689 total passenger movements. This reflects a 53.1% decrease in enplanements year-over-year and a 53.4% decrease in passenger movements for the same period. Signatory airlines accounted for 99.3% of the enplanement activity, with Non-signatory airlines—which consists mainly of charter, general aviation operators, and drop-ins—accounting for the remaining .7% (5,624 passengers). The last time the Authority experienced activity at this level was over 30 years ago in FY 1989, with enplanements amounting to 875,147 passengers and total passenger movements of approximately 1,543,895.

The traffic mix of passengers for the first five months of the fiscal year reflect that roughly 94% (696,356) of the 798,784 passengers arrived from international origin/destination (O/D) markets, mainly from South Korea, Japan, Taiwan, and China, while the other 6% (43,058) arrived from the domestic locations of Hawaii and Saipan, CNMI. In March 2020, the percentage of domestic arrivals increased to 16%, accounting for 6,021 of the 37,242 passengers for the month. In the last six months of the fiscal year (April-September 2020), the percentage of domestic arrivals increased exponentially, accounting for 67% (11,977) of the 17,937 passengers. This was essentially due to the global impacts of the COVID-19 pandemic that led to the suspension of service by airline partners from our key international O&D markets.

Despite the limited activity due to the COVID-19 pandemic, the Authority was federally obligated as a FAR Part 139 Airport to remain open for the traveling public and aircraft. Balancing the task of maintaining essential air services while ensuring the safety and wellness of the community was a major priority as the caretakers of Guam's only commercial Airport and integral to ensuring the expedient transport of medical, emergency equipment, and essential personnel needed to help mitigate and contain this pandemic.

The following airlines served the Authority with scheduled passenger service for FY 2020:

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
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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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	2020 % Increase (Decrease) from 2019
Major revenue sources:				
Landing fees (a)	\$ 2,948,497	\$ 3,529,497	\$ 3,855,236	-16.5%
Terminal Lease	11,170,013	12,821,452	12,008,558	-12.9%
Concessions and parking	13,477,701	22,222,182	23,043,383	-39.4%
Total	<u>\$ 27,596,210</u>	<u>\$ 38,573,130</u>	<u>\$ 38,907,177</u>	-28.5%
Passenger (enplanements) activity:				
Signatory airlines	878,436	1,875,879	1,767,087	-53.2%
Non signatory and Other airlines	5,624	9,229	13,485	-39.1%
Total enplanements	<u>884,060</u>	<u>1,885,108</u>	<u>1,780,572</u>	-53.1%
Aircraft operations	29,834	54,538	54,592	-45.3%
Aircraft landed weights (000,000)	<u>2,575,583</u>	<u>3,372,358</u>	<u>3,061,959</u>	-23.6%
O & D passengers	1,578,125	3,435,908	3,221,986	-54.1%
Transfer passengers	100,528	164,546	184,518	-38.9%
Total passengers	<u>1,678,653</u>	<u>3,600,454</u>	<u>3,406,504</u>	-53.4%

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

C. Authority Activities and Highlights, continued

Capital Improvements

In spite of the pandemic, the Authority proceeded with its capital improvement program focused on developing programs and the infrastructure to create future opportunities for our island and our communities throughout our region. Over \$200 million in capital improvement projects (CIPs) are currently underway or in the planning/design phases. These projects are focused on enhancing the safety and security of the community and the traveling public, increasing capacity, reducing airport noise, and generating or sustaining air service to current or new markets. The following are the CIP projects the Authority proceeded with through FY 2020:

Projects Currently Underway

- *3rd Floor International Arrivals Corridor w/Seismic Upgrades.* Phase I of this project (Gates 4 – 10) is substantially completed and ready for use upon the return of international passengers. The completion of this key project will allow the Authority a permanent solution to efficiently and effectively conform with an unfunded Transportation Security Administration (TSA) mandate issued in 2004 to separate departing TSA-screened passengers from non-TSA-screened arriving passengers. A topping-off ceremony for the last phase of the project was held on January 15, 2021. Phase 1 consisting of 7 contact gates and 2 pods will be operational at the end of February 2021 and the entire project is anticipated to be completed in the latter part of 2021. This project also includes the seismic upgrades to the passenger terminal building's infrastructure in order to support the 3rd Floor International Arrivals Corridor. Sources of funding for this project include proceeds from the Series 2013 Bonds, capital improvement funds, and Federal Aviation Administration (FAA) entitlement grants to complete the project.
- *Security Screening Checkpoint.* The expansion of the TSA Security Screening Checkpoints in the passenger terminal building is anticipated to be completed in February 2021. This project provided two additional screening lanes with space for a 3rd lane. This will provide an increase in throughput capacity of 300 passengers per hour to be screened with room for expansion. TSA has installed their own equipment which is undergoing operational testing and personnel training.
- *Aircraft Rescue and Firefighting (ARFF) Facility.* A new state-of-the-art ARFF facility is currently under construction and is expected to be completed towards the 1st quarter of FY 2022. This is a \$23.4 million project funded in large part by \$20.5 million in discretionary grant funds from the FAA that will provide the Authority with a new ARFF facility that will improve response time in the event of a crisis situation.

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Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

- Runway 6L/24R Rehabilitation. This project is currently in progress. 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 \$10 million for areas constructed as early as 1953. Phase Ib is concurrently in progress and will provide much needed rehabilitation and reconstruction to an additional 1,450 linear feet covering 169,000 square feet at a cost of \$11.3 million. Total project cost is estimated at approximately \$22 million with 90% financed by the FAA and 10% matching funds from the Authority.

Projects in the Procurement Process

Due to the COVID-19 pandemic no new projects were under bid for FY 2020.

Projects in the Planning Process

- 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 in hopes of proceeding with the sound proofing of homes in the near future as funding becomes available by the FAA.
- 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 the: 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 the arrivals lobby area and add commercial space; 3) expansion of coverings on the departure area curbside; and 4) replacement of aging terminal seating and installation of 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.

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

C. Authority Activities and Highlights, continued

- *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.
- *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, the 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.

Operations

COVID-19 Operational Modifications

The Authority worked swiftly to minimize community transmission of the COVID-19. These initiatives were packaged under the comprehensive WE CARE program that incorporated facility enhancements, social distancing requirements, sanitation and disinfection, queuing systems, thermal screening, and utilization of touchless technology as well as enhanced policies, aligned with the Centers for Disease Control and Prevention (CDC) and Guam Department of Public Health and Social Services (DPHSS) guidelines, and part of the FAA Runway to Recovery framework to mitigate the public health impacts of the COVID-19.

The Authority assessed its critical functions within the organization and designated mission-essential operations personnel to meet its FAR Part 139 requirements, while implementing teleworking protocols to keep our workforce healthy and minimize community spread.

In response to the impact on our airlines, concessionaires, and other service providers, the Authority worked to provide:

- Adjusted work schedules to ensure a certain level of services is available during active flight activity while minimizing the potential for exposure.
- Supported airlines and tenants with economic relief options in line with FAA guidelines and regulations.
- Provided periodic updates of current situations and future measures with airport stakeholders through the Airport Operating Committee, which consists of representatives from all airport tenants and vendors.

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Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

- Implemented a reduction of over 20% in operating and maintenance costs as compared to budget.
- Employed strict protocols to ensure the procurement of only essential supplies and services.
- Reduced other costs where possible by consolidating airport operations and restricting the use of our passenger gates and other facilities.

These measures implemented under the WE CARE Program, earned the Authority the SAFE TRAVEL designation established by the World Travel and Tourism Council. The specially designed stamp allows travelers to recognize governments and companies around the world which have adopted health and hygiene global standardized protocols, so consumers can experience "Safe Travels."

Micronesia Aerodrome Regional Training Center (MARTC)

In March 2020, the Authority launched the Micronesia Aerodrome Regional Training Center (MARTC) in partnership with Airports Council International (ACI). The MARTC was established after numerous conversations to bring critical training for aerodrome professionals in our region and to make travel to and from training venues less expensive, establishing Guam as a regional training venue for the Micronesian region.

The Authority successfully completed the first Safety Management Systems (SMS) training workshop under the auspices of ACI's esteemed Global Training Programme, which is the world's leading provider of airport management and operations education, that offers executive leadership, professional accreditation, subject-matter competency, and personalized in-house training courses, as well as a wide range of web-based coursework. The SMS training workshop was provided to six (6) airport staff from off-island; four (4) from Pohnpei Port Authority and two (2) from Palau International Airport, who joined 12 of the Authority's staff for the five-day intense training course.

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

The Authority's total assets and deferred outflow of resources for FY 2020 amounted to \$613.6 million. This was a 0.2% decrease from the \$615.0 million recorded in FY 2019. The variance is attributable to the 19.6% decrease in investments and cash with trustees, unrestricted assets from \$91.2 million in FY 2019 to \$73.4 million in FY 2020, a 33.0% decrease in investments and cash with trustees, restricted assets from \$39.3 million in FY 2019 to \$26.3 million in FY 2020, and a 71.8% increase in other postemployment benefits from \$13.4 million in FY 2019 to \$23.0 million in FY 2020. Capital assets increased by 4.5% from \$446.5 million to \$466.7 million for the same period. This is attributable to the completion of Phase I of the 3rd Floor International Arrivals Corridor project and the expansion of the TSA Security Check-points.

The Authority's total liabilities realized an increase of 2.2% from \$311.4 million in FY 2019 to \$318.2 million in FY 2020. This was mainly due to the debt service payments and payables from unrestricted and restricted assets for completion of several of the Authority's CIP projects.

In addition to the above, the Authority records pension and other post-employment benefits (OPEB) in conformance with GASB Nos. 68 and 75. As of September 30, 2020, Deferred Outflow for Pension and OPEB amounted to \$29.7 million, reflecting a 65.2% increase from the \$18.0 million recorded in FY 2019. Deferred Inflow for Pension and OPEB amounted to \$15.1 million as compared to the \$18.9 million year-over-year.

The Authority closed out FY 2020 with a total net position of \$280.3 million, representing 1.6% decrease from \$284.8 million in FY 2019. The \$4.5 million variance year-over-year is attributable to the 53.1% decrease in enplanement activity due to the impacts of the COVID-19 pandemic on the Authority's signatory airlines and other business partners.

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

D. Financial Operation Highlights, continued

Financial Position Summary

A condensed summary of the Authority's Statements of Net Position at September 30, 2020, 2019, and 2018 is shown below:

Financial Position Summary				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	2020 % Increase (Decrease) from 2019
<u>ASSETS</u>				
Current assets:				
Unrestricted current assets	\$ 10,158,096	\$ 9,759,401	\$ 10,355,627	4.1%
Restricted current assets	389,389	1,881,854	2,289,932	-79.3%
Non-current assets:				
Unrestricted assets	73,387,986	91,231,195	85,449,399	-19.6%
Restricted assets	26,325,753	39,266,254	63,351,017	-33.0%
Capital assets	466,685,877	446,553,710	432,542,017	4.5%
Avigation easements	6,569,171	7,845,350	9,121,529	-16.3%
Accounts Receivable - Trade Long Term	378,000	507,600	637,200	-25.5%
Deferred Outflow - Pension	6,144,079	4,597,034	3,794,526	33.7%
Deferred Outflow - Other Post Employment Benefits	22,989,995	13,379,839	4,323,359	71.8%
Deferred differences on refunding of 2019 bonds	<u>563,580</u>	---	---	100.0%
Total Assets and Deferred Outflow of Resources	<u>\$ 613,591,926</u>	<u>\$ 615,022,237</u>	<u>\$ 611,864,606</u>	-0.2%
<u>LIABILITIES</u>				
Current liabilities:				
Payable from unrestricted assets	\$ 29,998,875	\$ 24,542,955	\$ 23,772,009	22.2%
Payable from restricted assets	9,349,496	20,276,979	20,392,509	-53.9%
Long term liabilities	<u>278,825,779</u>	<u>266,556,173</u>	<u>280,459,537</u>	4.6%
Total	<u>\$ 318,174,150</u>	<u>\$ 311,376,107</u>	<u>\$ 324,624,055</u>	2.2%
Deferred inflow of resources:				
Deferred differences on refunding of 2013 bonds	\$ 71,502	\$ 117,061	\$ 172,676	-38.9%
Deferred Inflow - Pension	727,875	898,574	1,464,826	-19.0%
Deferred inflow - Other Post Employment Benefits	<u>14,306,299</u>	<u>17,869,987</u>	<u>4,114,765</u>	-19.9%
Total Deferred Inflow of Resources	\$ 15,105,676	\$ 18,885,622	\$ 5,752,267	-20.0%
<u>NET ASSETS</u>				
Invested in capital assets - net of related debt	\$ 289,707,320	\$ 253,719,950	\$ 227,626,465	14.2%
Restricted	21,372,922	33,632,254	57,416,767	-36.5%
Unrestricted	(30,768,142)	(2,591,696)	(3,554,948)	1087.2%
Total Net Position	<u>\$ 280,312,100</u>	<u>\$ 284,760,508</u>	<u>\$ 281,488,284</u>	-1.6%
Total liabilities and net position	<u>\$ 613,591,926</u>	<u>\$ 615,022,237</u>	<u>\$ 611,864,606</u>	-0.2%

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

D. Financial Operation Highlights, continued

Operating Revenues

Total operating revenues (including grants from the United States Government) for FY 2020 which accounted for 76.9% of the Authority's revenue amounted to \$58.3 million, down -16.0% from FY 2019 figure of \$69.4 million. Facilities and systems usage charges were down -44.1% from \$31.3 million to \$17.5 million for the same comparative period. This was due to the 53.4% decrease in total passenger activity for the fiscal year.

Total concession fees equaled \$13.5 million in FY 2020 compared to the \$22.2 million collected in FY 2019. This 39.4% decrease was attributable to the lack of passenger activity due to the COVID-19 pandemic, which was further exacerbated by the ongoing construction of the 3rd Floor Arrivals Corridor. General Merchandise concession dropped below \$10 million for the first time in the last 5 years and generated only \$9 million, accounting for 11.9% of the Authority's total revenues and 15.9% of its operating revenue.

Rental income was \$1.6 million less in FY 2020, reflecting a 12.9% decrease from the \$12.8 million collected in FY 2019. This was mainly due to the 33.3% drop in revenue for operational space not utilized by the Authority's airline partners due to suspension of services.

Operating grants from the federal government and GovGuam amounted to \$15.1 million collectively. This influx of cash was part of the \$20.7 million Coronavirus Aid, Relief, and Economic Security (CARES) Act funding that was awarded to the Authority by the FAA to be used for eligible purposes to ensure airports: 1) maintain reliable and safe operations; 2) keep airport workers employed; and 3) keep credit ratings stable.

Non-aeronautical revenue, which is comprised of concession fees, lease of operating space from non-airline and other tenants, as well as rental and miscellaneous income from other sources, generated approximately \$37.8 million and accounted for 65% of the Authority's operating revenue in FY 2020. Aeronautical revenue accounted for 35% of the total operating revenue equal to \$20.4 million for the same time frame.

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 decreased 4.1% due to the decrease in passenger activity for the Authority that resulted in less PFCs collected. The 60.3% decrease amounted to \$2.9 million in FY 2020 as compared to the \$7.4 million collected in FY 2019. Total non-operating revenues amounted to \$17.5 million in FY 2020 versus the \$18.2 million recorded the prior year.

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

D. Financial Operation Highlights, continued

Interest income generated \$1.8 million for the Authority, a 26.5% decrease compared to the figure for FY 2019 of \$2.5 million. The Authority continues to exercise its due diligence in enhancing this revenue stream by diversifying its portfolio and investing in short-term, high yield instruments such as certificates of deposits and treasury bonds.

The Authority aggressively seeks federal funding in the form of grants to fund airport improvements that will enhance safety, security, and/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 per year on average. In FY 2020, the Authority received \$12 million in grants from the FAA as part of its Airport Capital Improvement Program (ACIP). The revenue from these grants is based on reimbursable payments as the Authority first pays out and then draws down on the grant against the project they were awarded for.

Operating Expenses

Considering the COVID-19 operating environment, the Authority employed strict protocols to ensure the procurement of only essential supplies and services and reduced other costs where possible by consolidating airport operations and restricting the use of passenger gates and other facilities. While having to do more with less, the Authority implemented a reduction of over 20% in operating and maintenance costs when compared to its FY 2020 Board-approved budget. For FY 2020, the Authority expended \$47.6 million, which was 2.2% less in total operating expenses from the \$48.7 million spent in FY 2019. Moreover, this reflects a 9% cost reduction from the FY 2020 approved budget of \$52.5 million.

Contractual services and personnel services were reduced by 24% and 13% respectively from the budgeted amounts in FY 2020. Contractual services amounted to \$20.6 million for the current fiscal year and was 19.1% less than the prior fiscal year. Personnel services, which included overtime and hazardous pay for essential personnel, amounted to \$19.3 million for the year. While this 6.3% increase year-over-year from the \$18.1 million in FY 2019 is attributable to the COVID-19 pandemic and workforce retention requirements under the CARES Act funding, the Authority's cost-cutting initiatives resulted in a \$2.8 million cost reduction as compared to the approved budget for FY 2020. Materials and supplies for the same period were down 46% from the approved budget of \$2.8 million to \$1.5 million for the year, but reflects an increase year-over-year from the \$1.2 million expended in FY 2019.

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

Non-Operating Expenses

Non-operating expenses for FY 2020 continues to decrease as the Authority pays down its debt and other liabilities without incurring additional debt. Total non-operating expenses of \$5.4 million reflects a 29.3% decrease year-over-year from the \$7.6 million paid in FY 2019. Part of the cost savings is attributable to the restructuring of the Authority's general revenue bonds totaling \$37 million in October 2020.

Full Time Employees

As of September 30, 2020, the Authority employed 202 full-time employees (FTEs).

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

The CPE for signatory airlines is continuously monitored by the Authority, as we strive to provide a competitive cost structure for our airline partners while maintaining a superior and reliable level of airport services. The CPE for FY 2020 increased by 17.2% from \$18.15 in FY 2019 to \$21.27 for FY 2020. The increase was a result of the adverse impacts of the COVID-19 pandemic that decreased operational revenues. The Debt Service Coverage (DSC) ratio for the same period was recorded at 1.72x, providing sufficient coverage beyond the 1.25x DSC ratio requirement stipulated in the 2013 bond covenants. The robust coverage is attributable to the reduction in debt service due to the 2019 General Revenue Bond Restructuring combined with the addition of the CARES Act funding.

Airline Signatory Rates & Charges

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

Majority of the airlines operating at the Authority for FY 2020 are signatory airlines. To reiterate the importance of such agreements, signatory airlines comprised of 99.3% of passenger activity for the Authority and 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). 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
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Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

A summary of revenues for the years ended September 30, 2020, 2019 and 2018 and the amount and percentage of change in relation to prior year is provided below.

Revenues

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

	<u>2020</u>	2020 % of Total	<u>2019</u>	2019 % of Total	<u>2018</u>	2018 % of Total	2020 % Increase (Decrease) from 2019
Arrival facilities	\$ 3,166,630	4.2%	\$ 8,523,065	9.7%	\$ 6,438,454	7.4%	-62.8%
Departure facilities	3,320,638	4.4%	8,347,102	9.5%	6,559,487	7.6%	-60.2%
Passenger loading bridge	4,825,376	6.4%	5,674,619	6.5%	6,895,713	8.0%	-15.0%
Landing fees	2,948,497	3.9%	3,529,497	4.0%	3,855,235	4.4%	-16.5%
Immigration	1,141,757	1.5%	2,992,580	3.4%	2,143,829	2.5%	-61.8%
Public apron	1,255,161	1.7%	1,434,721	1.6%	1,599,047	1.8%	-12.5%
Utility recovery charge and other fees	630,898	0.8%	589,105	0.7%	587,975	0.7%	7.1%
Fuel flowage fee	242,016	0.3%	251,570	0.3%	226,352	0.3%	-3.8%
Total facilities and use charges	\$ 17,530,973	23.1%	\$ 31,342,259	35.8%	\$ 28,306,092	32.7%	-44.1%
General merchandise	\$ 8,983,541	11.9%	\$ 13,340,866	15.2%	\$ 14,814,811	17.1%	-32.7%
Ground transportation	1,869,800	2.5%	4,056,595	4.6%	3,509,509	4.1%	-53.9%
Car rental	826,033	1.1%	1,669,979	1.9%	1,533,183	1.8%	-50.5%
Food and beverage	577,059	0.8%	1,084,172	1.2%	1,021,361	1.2%	-46.8%
In-flight catering	557,166	0.7%	890,493	1.0%	844,661	0.7%	-37.4%
Other	664,102	0.9%	1,180,076	1.3%	1,319,858	1.5%	-43.7%
Total concession fees	\$ 13,477,701	17.8%	\$ 22,222,181	25.4%	\$ 23,043,383	26.3%	-39.4%
Operating space - airline	\$ 2,849,043	3.8%	\$ 4,268,780	4.9%	\$ 3,839,952	4.4%	-33.3%
Operating space - non airline	4,504,052	5.9%	4,778,328	5.5%	4,500,606	5.2%	-5.7%
Other	3,816,918	5.0%	3,774,344	4.3%	3,668,000	4.3%	1.1%
Total rental income	\$ 11,170,013	14.7%	\$ 12,821,452	14.6%	\$ 12,008,558	13.9%	-12.9%
Grants from the US Government	\$ 15,094,077	19.9%	\$ 415,108	0.5%	\$ 413,100	0.5%	3536.2%
Grant from the Government of Guam	8,069	0.0%	---	0.0%	11,368	0.0%	100.0%
Miscellaneous	982,110	1.3%	2,566,924	2.9%	5,571,796	6.5%	-61.7%
Total operating	\$ 58,262,943	76.9%	\$ 69,367,924	79.2%	\$ 69,354,297	79.8%	-16.0%
Interest income	\$ 1,818,696	2.4%	\$ 2,472,913	2.8%	\$ 2,077,360	2.4%	-26.5%
Passenger facility charge	2,919,951	3.9%	7,362,377	8.4%	7,081,113	8.1%	-60.3%
Grants from the US Government	12,054,605	15.9%	7,766,386	8.9%	7,928,287	9.2%	55.2%
Other	684,436	0.9%	627,491	0.7%	496,880	0.7%	9.1%
Total non-operating	\$ 17,477,689	23.1%	\$ 18,229,167	20.8%	\$ 17,583,640	20.2%	-4.1%
Total revenues	\$ 75,740,632	100.0%	\$ 87,597,091	100.0%	\$ 86,937,937	100.0%	-13.5%

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

Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

Expenses

A summary of expenses for the years ended September 30, 2020, 2019 and 2018 and the amount and percentage of change in relation to prior year is as follows:

ANTONIO B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM						
Management Discussion and Analysis						
Years ended September 30						
Expenses						
	<u>2020</u>	2020 % <u>of Total</u>	<u>2019</u>	2019 % <u>of Total</u>	<u>2018</u>	2018 % <u>of Total</u>
Contractual services	\$ 20,647,465	25.7%	\$ 25,529,975	30.3%	\$ 27,672,687	32.3%
Personnel services	19,272,274	24.0%	18,131,871	21.5%	13,884,736	16.2%
Materials and supplies	1,524,753	1.9%	1,236,584	1.5%	1,187,924	1.4%
Other	<u>6,141,294</u>	7.7%	<u>3,762,275</u>	4.5%	<u>3,417,345</u>	4.0%
Total operating expenses	<u>\$ 47,585,786</u>	59.3%	<u>\$ 48,660,705</u>	57.7%	<u>\$ 46,162,692</u>	53.8%
Depreciation and amortization	<u>\$ 27,236,732</u>	34.0%	<u>\$ 28,071,896</u>	33.3%	<u>\$ 28,071,442</u>	32.7%
Non-Operating:						
Interest expense	\$ 4,150,792	5.2%	\$ 7,528,494	8.9%	\$ 9,719,495	11.3%
Other	<u>1,215,724</u>	1.5%	<u>63,771</u>	0.1%	<u>1,793,213</u>	2.1%
Total non-operating expenses	<u>\$ 5,366,516</u>	6.7%	<u>\$ 7,592,266</u>	9.0%	<u>\$ 11,512,708</u>	13.4%
Total expenses	<u>\$ 80,189,034</u>	100.0%	<u>\$ 84,324,866</u>	100.0%	<u>\$ 85,746,842</u>	100.0%
Total full time employees	202		203		209	

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

E. Cost per Enplaned Passenger and Debt Service Coverage

Cost per Enplaned Passenger

A summary of the cost per enplaned passenger for the years ended September 30, 2020, 2019 and 2018 and the amount and percentage of change in relation to prior year is as follows:

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

	<u>2020</u>	<u>2020</u> <u>% of Total</u>	<u>2019</u>	<u>2019</u> <u>% of Total</u>	<u>2018</u>	<u>2018</u> <u>% of Total</u>
Airport Revenues						
Signatory Airline rentals and fees	\$ 18,685,176	29.8%	\$ 34,040,355	43.6%	\$ 30,404,908	39.2%
Revenue from sources other than Signatory Airline rentals and fees	24,509,378	39.2%	34,912,461	44.7%	38,525,895	49.7%
Passenger Facility Charge revenue	2,919,951	4.7%	7,362,377	9.4%	7,081,113	9.1%
Operating Grants	15,102,148	24.1%	415,108	0.5%	424,467	0.5%
Interest Income not related to construction	<u>1,383,256</u>	2.2%	<u>1,326,717</u>	1.7%	<u>1,060,981</u>	1.4%
Airport Revenues	\$ 62,599,909	100.0%	\$ 78,057,017	100.0%	\$ 77,497,364	100.0%
		%		%		
		Change		Change		
Signatory Airline enplaned passengers	878,436	-53.2%	1,875,879	6.2%	1,767,087	
Signatory Airline cost per enplaned passenger	\$21.27	17.2%	\$18.15	5.5%	\$17.21	

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

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

Debt Service Coverage

Under the Bond Indenture for the issuance of the 2013 General Revenue Bonds, the Authority is required to maintain minimum debt service coverage of 1.25x in relation to net revenues versus annual debt service. A summary of the annual debt service coverage for the years ended September 30, 2020, 2019 and 2018 is as follows:

ANTONIO B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM			
ACTUAL NET REVENUES AND ANNUAL DEBT SERVICE			
Years ended September 30			
Debt Service Coverage			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Airport Revenues	\$ 62,599,909	\$ 78,057,017	\$ 77,497,364
Less: Operation and Maintenance Expenses	<u>(42,659,019)</u>	<u>(44,991,443)</u>	<u>(47,497,544)</u>
Net Revenues	\$ 19,940,890	\$ 33,065,573	\$ 29,999,820
Plus: Other Available Moneys	<u>3,393,565</u>	<u>5,968,250</u>	<u>5,969,625</u>
Net Revenues and Other Available Moneys	<u>\$ 23,334,455</u>	<u>\$ 39,033,823</u>	<u>\$ 35,969,445</u>
<u>Rate Covenant</u>			
Net Revenues and Other Available Moneys	\$ 23,334,455	\$ 39,033,823	\$ 35,969,445
Total Annual Debt Service	\$ 13,574,260	\$ 23,873,000	\$ 23,878,500
Annual Debt Service Coverage	1.72	1.64	1.51
Debt service coverage requirement	1.25	1.25	1.25

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

F. Outlook for FY 2021

The New Normal

As a key essential facility, the Authority remains focused on mitigating the effects of the COVID-19 pandemic and regaining passenger traffic, with enhanced protective and preventive measures employed throughout the facility.

Guam, along with our key markets of South Korea, Japan, and Taiwan, have maintained entry restrictions in place and work to mitigate the transmission of COVID-19 in our respective jurisdictions which continue to severely restrict the demand and ability for persons to travel. In light of these struggles and to prepare for travel recovery, the Authority has undertaken facility and service enhancement measures to mitigate the exposure to viral infection. Transparent barriers have been installed at all passenger processing and service points, automated equipment has been installed to provide for touchless restroom service and 100% thermal screening is in place. The Authority has also installed Ultraviolet lights in all air handling units and enhanced cleaning and sanitation practices with frequent disinfection of all areas, and electrostatic cleaning after each flight arrives and departs, 24 hours a day.

Travel Recovery

While the travel industry has yet to recover, the Authority's signatory airline partners were cautiously optimistic projecting 1.15 million in enplanement activity for FY 2021. The arrival and dissemination of the COVID-19 vaccine and the sustained reduction—as evidenced by the sustained reduction in the Guam-based COVID-19 Area Risk (CAR) score—in community spread of COVID-19 are key factors. The Authority will remain vigilant while maintaining essential air services integral to our island's and our regional communities' economic viability and recovery. The Authority has responded quickly to the changing COVID-19 guidance and findings from the CDC with regards to quarantine and testing protocols to protect against community spread.

The Authority will ensure conformance with the Presidential Executive Order issued on January 21, 2021 promoting COVID-19 safety in Domestic and International travel that require face-mask wearing. In addition, travelers arriving from international destinations shall be required to produce proof of a recent negative COVID-19 test prior to entry, and to comply with other applicable CDC guidelines concerning international travel, including recommended periods of self-quarantine or self-isolation after entry into the United States.

In the interim, the Authority is working closely with the Department of Public Health and Social Services, the Guam Visitors Bureau, the Guam Economic Development Authority, and its Airline partners to position Guam for the rebound and recovery of travel. Some of these initiatives include: 1) working with visitor stakeholders in Japan, South Korea, and Taiwan in creating a travel bubble or corridor; 2) providing incentives to tour operators; and, 3) financial relief to airlines and other

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

F. Outlook for FY 2021, continued

stakeholders to stimulate demand. Other initiatives for the Authority include improving on existing touchless technologies in anticipation of one of the many changes in future travel protocols.

Financial Outlook

As a FAR Part 139 airport, the Authority is obligated to maintain airport operations while providing a safe and secure traveling environment, despite the depressed passenger activity due to COVID-19.

Operating revenues for FY 2021 are projected at \$63.6 million, which includes \$6 million in carry-over from the CARES Act funds received in FY 2020. Operating and maintenance expenses for the same period was budgeted and approved at \$42.8 million. This will provide adequate levels of service and prioritizes the safety and security of our airport. The Authority will exercise its fiduciary responsibilities and diligently monitor and implement cost cutting measures without compromising airport safety and security. In addition, the Authority will proceed only with ongoing CIP projects and would only initiate new projects that are either federally funded or essential to primary airport functions.

The Authority's DSC in FY 2021 is expected to be 1.77x versus 1.25x required by the Bond indentures. This was attributed to the reduced debt service requirements in FY 2021 resulting from the bond restructuring in FY 2020. Public Law 35-137, enacted on January 4, 2021, will allow the Authority to refinance and restructure its existing 2013 and 2019 General Revenue Bonds for potential debt service cost reductions in FY 2021. This is expected to be completed in FY 2021. The anticipated CPE for FY 2021 remains relatively flat at \$21.35 versus the \$21.27 in FY 2020.

The Authority will continue to reassess and pursue revenue streams and any available grant funding opportunities in order to minimize the impacts on our signatory airline partners while proceeding with airport improvements. We are anticipating additional relief from the FAA through the Coronavirus Response and Relief Supplemental Appropriation Act of 2021 (CRRSA). This is a similar grant vehicle like the CARES Act funds the Authority received in the amount of \$20.7 million that was issued in FY 2020.

Capital Improvements

For FY 2021, the Authority will continue with three of its CIP projects already underway. As previously mentioned, these projects include the following:

- *3rd Floor International Arrivals Corridor w/Seismic Upgrades*. This project is expected to be substantially complete by the end of 2021. Phase I (Gates 4 – 10) is substantially completed and ready for use upon the return of international passengers. The completion

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

F. Outlook for FY 2021, continued

of this key project will provide the Authority with a permanent solution to efficiently and effectively conform to the unfunded TSA-mandate issued in 2004 to separate departing TSA-screened passengers from non-TSA-screened arriving passengers. This project also includes the seismic upgrades to the passenger terminal building's infrastructure in order to support the 3rd Floor International Arrivals Corridor. Sources of funding for this project include proceeds from the Series 2013 Bonds, capital improvement funds, and FAA entitlement grants to complete the project.

- *Aircraft Rescue and Firefighting (ARFF) Facility.* A new state-of-the-art ARFF facility is currently under construction and is expected to be completed towards the 3rd quarter of FY 2021. This is a \$23.4 million project is funded in large part by \$20.5 million in discretionary grant funds from the FAA that will provide the Authority with a new ARFF facility that will improve response time in the event of a crisis situation.
- *Runway 6L/24R Rehabilitation.* This project is currently in progress and slated for completion by the end of FY 2021. 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 \$10 million for areas constructed as early as 1953. Phase Ib is concurrently in progress and will provide much needed rehabilitation and reconstruction to an additional 1,450 linear feet covering 169,000 square feet at a cost of \$11.3 million. Total project cost is estimated at approximately \$22 million with 90% financed by the FAA and 10% matching funds from the Authority.

Projects in the Procurement Process – these are critical projects that are at least 90% federally funded or essential to the functions of the Authority.

- *Runway 6L/24R Rehabilitation – Phase II.* This project will complete the repairs and rehabilitation of the Authority's primary runway, RWY 6L/24R. We anticipate announcing bids in the 2nd quarter of FY 2021. Specifically, Phase II will perform additional work on branch sections R6L-03 through R6L-10, which have PCI ratings of <70 and PCR ratings as low as VP. Elements of rehabilitation includes but not limited to, existing pavement demolition, subgrade improvement, new AC runway pavement, and removal and replacement of existing runway pavement markings affected within the limits of this project. Work will cover approximately 1,000± linear feet of runway and over 115,000 square feet of area.

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Management's Discussion and Analysis, continued

F. Outlook for FY 2021, continued

- Residential Sound Solution Program (RSSP). This project is an ongoing FAA program that allows the Authority to provide for noise mitigation of residences located within the 65db range. The program is subject to federal funding limitations. The Authority has completed the preliminary screening of 70 homes that are eligible for this program. They will proceed with updating its Noise Compatibility Program (NCP) which is a key component of the RSSP in hopes of proceeding with the sound proofing of homes in the near future as funding becomes available by the FAA. RFP announcement is expected to take place no later than the end of the 2nd quarter of FY 2021.
- 2021 Master Plan Update. This project is a much-needed update to the Authority's masterplan that was last completed in FY 2012. The scope of work 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. The Request for Proposal announcement is expected to take place no later than the end of the 3rd quarter of FY 2021.

Projects in Planning Process

- 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.
- 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.
- 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.

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

F. Outlook for FY 2021, continued

- 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. As previously discussed, these projects include:

- Tiyan Parkway (Phase II). This project requires close coordination with the Department of Public Works (DPW) and the Department of Land Management to acquire and develop property for a major thoroughfare that would alleviate major congestion of Guam's roadway systems of Route 1, 8 and 16.
- Expansion of Route 10A (Airport Access Road). This project is being coordinated with DPW that would expand Route 10A and provide for airport by-pass roadway system to increase capacity and facilitate traffic more efficiently.
- Landscaping of Major Thoroughfares. This project would entail the landscaping of Route 10A and the Tiyan Parkway to provide a scenic corridor that would lead intuitively to the A.B. Won Pat International Airport, Guam.
- Stormwater Runoff and Drainage Improvements. Part of the construction of the Tiyan Parkway will include the construction of a major ponding basin to manage storm water runoff from the Parkway as well as the Authority's storm water runoff. Moreover, it will replace existing drainage systems away from the Authority's runways and off of its Airport Operations Area.

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

F. Outlook for FY 2021, continued

- *Guam Waterworks Authority (GWA) Issues.* The Authority is working closely with GWA to coordinate the following while preventing any of violation of the Quitclaim deed for the transfer of properties from the federal government, its bond covenants under the 2013 Bond issuance, and the grant assurances to the respective governmental agencies, mainly the FAA: 1) the transfer of property to allow GWA to proceed with its court-ordered mandate for the installation of a two-million-gallon tank to service their Tamuning-Tumon-Harmon customers; and 2) the installation of water infrastructure to include transmission and distribution lines and wastewater systems for residents located in the former Naval Air Station Hagåtña Officer Housing area. This would provide the Authority the ability to cap and seal the existing infrastructure used for the transmission and distribution of water that is located beneath 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 hopes to launch its first operation by the end of the 3rd quarter of FY 2021.

The Authority is constantly looking for interested investors to explore development of Guam's only commercial airport, through public private partnerships (PPPs). 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.

Conclusion

With more than \$2.3 billion in direct, indirect, or induced economic activity for our island community, the Authority is a key economic driver for Guam and the Micronesian region. As Guam and the rest of the world move toward recovery from the COVID-19 pandemic, the Authority will continue to develop Guam's only commercial airport, managing the ongoing 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,	
	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Unrestricted assets:		
Cash (Note 3)	\$ 2,395,641	\$ 2,264,110
Passenger facility charge cash (Note 3)	3,707	69,019
Accounts receivable, trade, net of allowance for doubtful accounts of \$648,703 at September 30, 2020 (\$635,766 at September 30, 2019) (Note 3)	6,151,600	5,833,123
Accounts receivable from tenant (Notes 3 and 9)	129,600	129,600
Passenger facility charge receivables (Note 3)	23,456	964,618
Receivables from the United States Government	1,264,148	134,334
Inventory and other	<u>189,944</u>	<u>364,597</u>
Total unrestricted current assets	<u>10,158,096</u>	<u>9,759,401</u>
Restricted assets:		
Customs fees, cash (Note 3)	45,944	274,773
Customs fees, receivables (Note 12)	<u>343,445</u>	<u>1,607,081</u>
Total restricted current assets	<u>389,389</u>	<u>1,881,854</u>
Total current assets	<u>10,547,485</u>	<u>11,641,255</u>
Accounts receivable from tenant, unrestricted (Notes 3 and 9)	<u>378,000</u>	<u>507,600</u>
General Revenue Bonds (Note 7)		
Investments and cash with trustees, unrestricted	73,387,986	91,231,195
Investments and cash with trustees, restricted	<u>26,325,753</u>	<u>39,266,254</u>
	<u>99,713,739</u>	<u>130,497,449</u>
Depreciable capital assets, net (Notes 4 and 11)	239,369,273	265,084,340
Non-depreciable capital assets (Notes 4 and 11)	227,316,604	181,469,370
Avigation easements (Note 4)	6,569,171	7,845,350
Deferred outflows of resources:		
Deferred differences on refunding of 2019 bonds (Note 5)	563,580	---
Pension (Note 8)	6,144,079	4,597,034
Other postemployment benefits (Note 8)	<u>22,989,995</u>	<u>13,379,839</u>
Total deferred outflows of resources	<u>29,697,654</u>	<u>17,976,873</u>
Total assets and deferred outflows of resources	<u>613,591,926</u>	<u>615,022,237</u>

See accompanying notes.

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

Statements of Net Position, continued

	September 30,	
	<u>2020</u>	<u>2019</u>
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable - trade	\$ 3,617,570	\$ 4,524,016
Accounts payable - construction	17,150,314	10,998,824
Other liabilities (Note 11)	5,172,180	5,038,022
Security deposits	2,282,887	2,319,707
Current portion of annual leave (Note 10)	446,556	407,129
Current portion of long-term loan payable to bank (Notes 6 and 10)	<u>1,329,368</u>	<u>1,255,257</u>
Total payable from unrestricted assets	<u>29,998,875</u>	<u>24,542,955</u>
Payable from restricted assets:		
Customs fees payable to Treasurer of Guam (Note 12)	546,665	2,037,979
General Revenue Bonds:		
Current installments (Notes 5 and 10)	3,850,000	12,605,000
Accrued interest	<u>4,952,831</u>	<u>5,634,000</u>
Total payable from restricted assets	<u>9,349,496</u>	<u>20,276,979</u>
Total current liabilities	<u>39,348,371</u>	<u>44,819,934</u>
Non-current liabilities:		
Payable from unrestricted assets:		
Accrued sick leave (Notes 8 and 10)	170,705	148,110
Long-term portion of annual leave (Note 10)	1,046,731	831,129
Long-term loan payable to bank (Notes 6 and 10)	3,472,248	4,793,384
Net pension liability (Notes 8 and 10)	35,303,294	33,826,304
Collective total other postemployment benefit liability (Notes 8 and 10)	63,444,611	45,048,838
Payable from restricted assets:		
Long-term bonds payable, less current installments:		
General Revenue Bonds (Notes 5 and 10)	<u>175,388,190</u>	<u>181,908,408</u>
Total non-current liabilities	<u>278,825,779</u>	<u>266,556,173</u>
Total liabilities	<u>318,174,150</u>	<u>311,376,107</u>
Deferred inflows of resources:		
Deferred differences on refunding of 2013 bonds (Note 5)	71,502	117,061
Pension (Note 8)	727,875	898,574
Other postemployment benefits (Note 8)	<u>14,306,299</u>	<u>17,869,987</u>
Total deferred inflows of resources	<u>15,105,676</u>	<u>18,885,622</u>
Commitments and contingencies (Notes 5, 6, 9 and 11)		
Net position:		
Net investment in capital assets	289,707,320	253,719,950
Restricted for:		
Capital projects (Notes 4 and 11)	26,325,753	39,266,254
Debt service (Notes 5 and 7)	(4,952,831)	(5,634,000)
Unrestricted	<u>(30,768,142)</u>	<u>(2,591,696)</u>
Total net position	<u>\$ 280,312,100</u>	<u>\$ 284,760,508</u>

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2020</u>	<u>2019</u>
Revenues (<i>Note 5</i>):		
Facilities and systems usage charges (<i>Note 3</i>)	\$ 17,530,973	\$ 31,342,258
Concession fees (<i>Notes 3 and 9</i>)	13,477,701	22,222,181
Rental income (<i>Note 9</i>)	11,170,013	12,821,451
Miscellaneous	982,110	2,566,926
	<u>43,160,797</u>	<u>68,952,816</u>
Operating costs and expenses:		
Contractual services (<i>Notes 9 and 11</i>)	20,647,465	25,529,980
Personnel services	19,272,276	18,131,872
Materials and supplies	1,524,757	1,236,583
	<u>41,444,498</u>	<u>44,898,435</u>
Total operating costs and expenses		
Income from operations before depreciation and amortization	1,716,299	24,054,381
Depreciation and amortization	(27,236,732)	(28,071,895)
Operating loss	(25,520,433)	(4,017,514)
Non-operating revenues (expenses):		
Passenger facility charge income	2,919,951	7,362,377
Interest income	1,818,696	2,472,916
Grants from the United States Government	15,094,077	415,108
Interest expense	(4,150,792)	(7,528,494)
Other expenses, net	(6,533,361)	(3,071,554)
Non-recurring expenses	(139,220)	(127,001)
Grant from Government of Guam - Office of Highway Safety (OHS)	8,069	---
	<u>9,017,420</u>	(476,648)
Total non-operating revenues (expenses), net		
Loss before capital grants	(16,503,013)	(4,494,162)
Capital grants from the United States Government	12,054,605	7,766,386
	<u>4,448,408</u>	3,272,224
(Decrease) Increase in net position		
Net position at beginning of year	<u>284,760,508</u>	<u>281,488,284</u>
Net position at end of year	<u>\$ 280,312,100</u>	<u>\$ 284,760,508</u>

See accompanying notes.

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

Statements of Cash Flows

	Year ended September 30,	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 44,198,736	\$ 70,697,385
Cash paid to suppliers for goods and services	(19,560,333)	(26,197,396)
Cash paid to employees	(19,235,406)	(17,897,745)
Other operating cash receipts	<u>8,069</u>	<u>---</u>
Net cash provided by operating activities	<u>5,411,066</u>	<u>26,602,244</u>
Cash flows from investing activities:		
Proceeds from sale of investments	31,063,779	18,302,967
Investment interest income	841,676	2,472,916
Collection from note receivable from tenant	<u>---</u>	<u>183,580</u>
Cash provided by investing activities	<u>31,905,455</u>	<u>20,959,463</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of airport facilities and avigation easement	(39,852,354)	(36,636,789)
Principal payment on 2013 General Revenue Bonds	(12,605,000)	(12,221,581)
Interest paid on 2019 and 2013 General Revenue Bonds	(10,405,429)	(11,568,250)
Other financing source - refunding bonds	38,996,243	---
Other financing use - payment to refunded bond escrow agent	(41,925,068)	---
Principal payment on loan payable to bank	(1,247,025)	(1,136,390)
Interest paid on loan payable to bank	(320,479)	(431,114)
Passenger facility charge receipts	3,861,113	7,818,283
U.S. Government capital and operating grants	<u>26,018,868</u>	<u>8,588,638</u>
Net cash used in capital and related financing activities	<u>(37,479,131)</u>	<u>(45,587,203)</u>
Net (decrease) increase in cash	(162,610)	1,974,504
Cash at beginning of year	<u>2,607,902</u>	<u>633,398</u>
Cash at end of year	<u>\$ 2,445,292</u>	<u>\$ 2,607,902</u>
Consisting of:		
Unrestricted	\$ 2,399,348	\$ 2,333,129
Restricted - current	<u>45,944</u>	<u>274,773</u>
	<u>\$ 2,445,292</u>	<u>\$ 2,607,902</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>2020</u>	<u>2019</u>
Reconciliation of operating loss and other		
expenses to net cash provided by operating activities:		
Operating loss	\$(25,520,433)	\$(4,017,514)
Other and non-recurring expenses	(<u>6,664,512</u>)	(<u>3,198,555</u>)
	(<u>32,184,945</u>)	(<u>7,216,069</u>)
Adjustments to reconcile operating loss and other		
expenses to net cash provided by operating activities:		
Depreciation and amortization	27,236,732	28,071,895
Non-cash OPEB cost	5,720,640	3,686,372
Non-cash pension costs	3,421,072	3,846,965
Bad debt expense	33,759	---
(Increase) decrease in assets:		
Accounts receivable	911,400	1,729,539
Inventory and other	174,653	202,639
Accounts receivable from tenant	129,600	129,600
Increase (decrease) in liabilities:		
Accounts payable	3,753,730	45,485
Other current liabilities	134,158	386,502
Security deposits and unearned income	(36,820)	(114,570)
Annual leave	255,029	(67,802)
Sick leave	22,595	(37,033)
Collective total OPEB liability	(498,711)	(553,276)
Net pension liability	(<u>3,661,826</u>)	(<u>3,508,003</u>)
 Total adjustments	 <u>37,596,011</u>	 <u>33,818,313</u>
 Net cash provided by operating activities	 \$ <u>5,411,066</u>	 \$ <u>26,602,244</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, 2020 and 2019

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, 2020 and 2019 is expendable.

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Net Position, continued

Unrestricted

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

Cash

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

Accounts Receivable

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

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

Inventory

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

Investments

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

Bond Premium and Discount

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Capital Assets and Depreciation and Amortization

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

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

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

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

Capitalization of Interest

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

Avigation Easements

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

Impairment of Capital Assets

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

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Compensated Absences

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

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

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

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

Pensions

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

Operating and Non-Operating Revenues and Expenses

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

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Other Post-employment Benefits

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources until then. As required by GASB 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
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Environmental Costs

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

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

Risk Management

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

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, 2021.

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

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

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

Upcoming Accounting Pronouncements, continued

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, 2021.

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

In 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, 2021.

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

Upcoming Accounting Pronouncements, continued

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

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

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

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

Upcoming Accounting Pronouncements, continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans— an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 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 February 26, 2021, which is also the date the financial statements were available to be issued.

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

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, 2020 and 2019, \$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 22% and 20% of total operating revenues for the years ended September 30, 2020 and 2019, respectively. Receivables from the primary concessionaire totaled \$585,953 and \$161,643 at September 30, 2020 and 2019, respectively.

For the years ended September 30, 2020 and 2019, approximately 23% and 22%, respectively, of the Authority's total operating revenues, including passenger facility charge income, were derived from one airline customer. At September 30, 2020 and 2019, the receivable from this airline customer totaled \$1,637,824 and \$1,964,690, 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, 2020 is as follows:

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

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, 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>

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, 2020 and 2019 included \$1,089,285 of costs associated with the residential sound insulation program. At September 30, 2020 and 2019, the Authority's avigation easements (net of amortization) amounted to \$6,569,171 and \$7,845,350, 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, 2020 and 2019 totaled \$6,240,366 and \$4,170,620, respectively.

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

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

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

5. Long-Term Revenue Bonds Payable

Long-term revenue bonds payable at September 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</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 \$3,800,000 due in October 2020	\$ 139,355,000	\$192,695,000
General revenue bonds, Series 2019 (original issue of \$37,045,000):		
Varying interest rates (3% - 5%) payable semiannually in October and April, principal payments due in varying annual installments with \$50,000 due in October 2020	<u>37,045,000</u>	<u>---</u>
Total	176,400,000	192,695,000
Less current installments	<u>3,850,000</u>	<u>12,605,000</u>
	172,550,000	180,090,000
Add net unamortized premium on bonds	<u>2,838,190</u>	<u>1,818,408</u>
	<u>\$ 175,388,190</u>	<u>\$181,908,408</u>

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

5. Long-Term Revenue Bonds Payable, continued

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, 2020 and 2019, the unamortized balance of the difference in refunding totaled \$71,502 and \$117,061, respectively, as presented in the accompanying statements of net position.

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

• 2019 Series A (AMT)	\$ 18,645,000
• 2019 Series B (Taxable)	<u>18,400,000</u>
	<u>\$37,045,000</u>

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

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

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

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

The 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.

The refunding resulted in a debit difference on refunding of \$690,098 representing the difference between the reacquisition price and carrying amount of the 2013 bonds. As of September 30, 2020, the unamortized balance of the difference in refunding totaled \$563,580 as presented in the accompanying 2020 statement of net position.

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

6. Long-Term Loan Payable to Bank

Long-term loan payable to bank at September 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</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	\$4,801,616	\$6,048,641
Less current installments	<u>1,329,368</u>	<u>1,255,257</u>
	<u>\$3,472,248</u>	<u>\$4,793,384</u>

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

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

<u>Year ending September 30,</u>	
2021	\$1,329,368
2022	1,408,000
2023	1,491,000
2024	<u>573,248</u>
	<u>\$4,801,616</u>

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

Notes to Financial Statements, continued

7. Investments and Cash with Trustees

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

	<u>2020</u>	<u>2019</u>
Operations and Maintenance Reserve Fund	\$ 12,381,319	\$ 12,381,319
General Revenue Fund	5,863,381	9,536,749
Federal Grant Fund	8,213,598	7,926,838
Risk and Loss Management Reserve Fund	6,988,978	6,612,148
Capital Improvement Fund	25,443,467	42,537,121
Operations and Maintenance Fund	<u>14,497,243</u>	<u>12,237,020</u>
Total Unrestricted	<u>73,387,986</u>	<u>91,231,195</u>
Bond Reserve Fund	16,438,458	19,686,112
Debt Service Fund	8,886,875	18,317,616
Renewal and Replacement Fund	1,000,249	1,000,249
Construction Fund	<u>171</u>	<u>262,277</u>
Total Restricted	<u>26,325,753</u>	<u>39,266,254</u>
	<u>\$ 99,713,739</u>	<u>\$130,497,449</u>

At September 30, 2020 and 2019, investments and cash held by trustees are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 15,376,714	\$ 864,448
Investments	<u>84,337,025</u>	<u>129,633,001</u>
	<u>\$ 99,713,739</u>	<u>\$130,497,449</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.

Antonio B. Won Pat International Airport Authority, Guam
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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 requirements of the 2019 and 2013 bond indentures.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Authority will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Based on negotiated trust and custody contracts, all of these investments were held in the Authority's name by the Authority's custodial financial institutions at September 30, 2020 and 2019.

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

		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				

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 Authority's credit quality distribution for debt securities at September 30, 2020 and 2019 is as follows:

At September 30, 2020			At September 30, 2019		
	Standard & Poor's/Moody's Credit Rating	Amount		Standard & Poor's/Moody's Credit Rating	Amount
FHLMC	Aaa/AAA	\$ 388,591	FHLMC	Aaa/AAA	\$ 2,260,712
FFCB	Aaa/AAA	224,816	FNMA	Aaa/AAA	1,934,874
Corporate bonds	Aaa/AAA	32,010	Corporate bonds	Aaa/AAA	8,001
Corporate bonds	Aa/AA	265,241	Corporate bonds	Aa/AA	319,366
Corporate bonds	A	1,054,157	Corporate bonds	A	828,114
Corporate bonds	Baa/BBB	350,380	Corporate bonds	Baa/BBB	183,304
GIC	Unrated	9,549,194	GIC	Unrated	9,549,194

At September 30, 2020 and 2019, the Authority had the following investments and maturities:

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

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>

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.

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

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

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

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

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

The Authority's statutory contribution rates were 26.28% and 26.56%, respectively, for the years ended September 30, 2020 and 2019. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2020 and 2019.

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

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

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, 2020, the remaining period is 14.58 years.

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

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

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, 3.1 years in the 2018 actuarial valuation and at 3.3 years in the 2019 valuation. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26%	6.81%	1.77%
U.S. Equities (small cap)	4%	8.12%	0.32%
Non-U.S. Equities	17%	8.33%	1.42%
Non-U.S. Equities (emerging markets)	3%	10.28%	0.31%
U.S. Fixed Income (aggregate)	24%	3.87%	0.93%
Risk Parity	8%	5.56%	0.45%
High Yield Bonds	8%	5.45%	0.44%
Global Real Estate (REITs)	5%	8.01%	0.40%
Master Limited Partnerships	5%	7.44%	0.37%
Expected average return for one year			6.40%
Expected geometric mean (50 years)			5.85%

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Notes to Financial Statements, continued

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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

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

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

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

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

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

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

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

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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, 2020, the remaining period is 14.58 years.

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 2.66% and 4.18% for the years ended September 30, 2020 and 2019, 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, 2020, the remaining period is 14.58 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, 2020	September 30, 2019
Measurement Date:	September 30, 2019	September 30, 2018
Valuation Date:	September 30, 2018	September 30, 2017

Net pension liability as of September 30, 2020 and 2019 for the aforementioned plans are as follows:

	<u>2020</u>	<u>2019</u>
DB Plan	\$31,118,382	\$29,987,434
Ad hoc COLA/SA Plan for DB Participants	2,950,852	2,785,670
Ad hoc COLA Plan for DCRS Participants	<u>1,234,060</u>	<u>1,053,200</u>
	<u>\$35,303,294</u>	<u>\$33,826,304</u>

Proportionate share of net pension liabilities at September 30, 2020 and 2019 for the aforementioned plans are as follows:

	<u>2020</u>	<u>2019</u>
DB Plan	2.56%	2.54%
Ad hoc COLA/SA Plan for DB Participants	0.91%	0.96%
Ad hoc COLA Plan for DCRS Participants	2.06%	2.13%

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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, 2020 and 2019 for the aforementioned Plans are as follows:

	<u>2020</u>	<u>2019</u>
DB Plan	\$3,105,437	\$3,791,058
Ad hoc COLA/SA Plan for DB Participants	215,806	328,834
Ad hoc COLA Plan for DCRS Participants	<u>99,829</u>	<u>(272,927)</u>
	<u>\$3,421,072</u>	<u>\$3,846,965</u>

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

	September 30, 2020					
	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,666	\$(275,854)	\$ 20,448	\$(9,074)	\$ 129,967	\$(35,844)
Net difference between projected and actual earnings on pension plan investments	1,094,222	---	---	---	---	---
Authority contributions subsequent to the measurement date	3,390,951	---	234,947	---	40,000	---
Changes in assumption	---	---	264,933	(45,872)	297,103	(119,721)
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>530,955</u>	<u>---</u>	<u>24,892</u>	<u>(104,465)</u>	<u>70,995</u>	<u>(137,045)</u>
	<u>\$ 5,060,794</u>	<u>\$(275,854)</u>	<u>\$ 545,220</u>	<u>\$(159,411)</u>	<u>\$ 538,065</u>	<u>\$(292,610)</u>
	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>88,733</u>	<u>---</u>	<u>78,205</u>	<u>(118,341)</u>
	<u>\$ 3,897,772</u>	<u>\$(537,580)</u>	<u>\$ 304,303</u>	<u>\$(92,458)</u>	<u>\$ 394,959</u>	<u>\$(268,536)</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, 2020 and 2019, resulting from the Authority's employer contributions for the following plans are as follows:

	<u>2020</u>	<u>2019</u>
DB Plan	\$3,390,951	\$3,106,326
Ad hoc COLA/SA Plan for DB Participants	234,947	215,570
Ad hoc COLA Plan for DCRS Participants	<u>40,000</u>	<u>40,000</u>
	<u>\$3,665,898</u>	<u>\$3,361,896</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:

2021	\$ 120,971
2022	318,178
2023	729,387
2024	476,850
2025	26,284
Thereafter	<u>78,636</u>
	<u>\$1,750,306</u>

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

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

DB Plan

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	\$ <u>39,285,424</u>	\$ <u>31,118,382</u>	\$ <u>24,090,455</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase <u>3.66%</u>
Collective total pension liability	\$ <u>3,255,555</u>	\$ <u>2,950,852</u>	\$ <u>2,691,070</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>1.66%</u>	Current Discount <u>2.66%</u>	1% Increase <u>3.66%</u>
Collective total pension liability	\$ <u>1,398,428</u>	\$ <u>1,234,060</u>	\$ <u>1,093,361</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, 2020 and 2019 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, 2020 and 2019, contributions made and amounts accrued under the DCRS amounted to \$1,168,933 and \$797,369, 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, 2020 and 2019, the Authority has accrued an estimated liability of \$170,705 and \$148,110, 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.

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

8. Employee Benefits, continued

OPEB plan, continued

OPEB Plan Description, continued

Discount Rate: The discount rate used to measure the total OPEB liability was 2.66% and 4.18% for the years ended September 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefits of current plan members. Therefore, the municipal bond rate at each year end was applied to all periods to determine the total OPEB liability.

Expected Remaining Service Lives: Under GASB Statement No. 75, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 5.57 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, 2020	September 30, 2019
Measurement Date:	September 30, 2019	September 30, 2018
Valuation Date:	September 30, 2018	September 30, 2018

Collective total OPEB liability as of September 30, 2020 and 2019 is \$63,444,611 and \$45,048,838, respectively.

Proportionate share of collective total OPEB liability at September 30, 2020 and 2019 is 2.48% and 2.40%, respectively.

OPEB expense for the years ended September 30, 2020 and 2019 is \$5,720,640 and \$3,686,372, 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, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ ---	\$(8,318,329)	\$ ---	\$(10,297,181)
Authority contributions subsequent to the measurement date	515,865	---	502,180	---
Changes in assumptions	13,829,668	(5,915,616)	3,262,709	(7,476,494)
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>8,644,462</u>	<u>(72,354)</u>	<u>9,614,950</u>	<u>(96,312)</u>
	<u>\$ 22,989,995</u>	<u>\$(14,306,299)</u>	<u>\$ 13,379,839</u>	<u>\$(17,869,987)</u>

Deferred outflows of resources at September 30, 2020 and 2019, resulting from the Authority's employer contributions totaled \$515,865 and \$502,180, 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:

2021	\$ 1,874,520
2022	1,874,521
2023	677,939
2024	2,151,644
2025	<u>1,589,207</u>
	<u>\$ 8,167,831</u>

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

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

	1% Decrease <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase <u>3.66%</u>
Total OPEB Liability	<u>\$ 75,783,710</u>	<u>\$63,444,611</u>	<u>\$53,637,502</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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 51,555,717</u>	<u>\$63,444,611</u>	<u>\$79,197,379</u>

9. Leases

In response to the impact of the global pandemic and the 95% decline in passenger traffic, the GIAA approved several financial relief programs throughout the Fiscal Year 2020. The first relief package was a deferral of all rents, fees and charges for all Airport Tenants for the months of March through May 2020. Subsequent financial relief was provided for the period of March 1 thru September 30 for in terminal concessionaires whose contract payment terms required the higher of Minimum Annual Guarantees (MAG) or percentage of sales. During the temporary relief period, MAG rents were waived. In lieu of MAG, these tenants were provided terms which instead required the greater of a percentage of gross sales or terminal building rent based on the space they occupied and assessed at the main terminal building rental rate. In addition, the signatory airlines were provided financial relief during the 4th quarter of the fiscal year with a seventy percent discount on office rent at the Main Terminal Building.

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.

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Notes to Financial Statements, continued

9. Leases, continued

Lotte Duty Free Guam, LLC (Lotte), continued

For the years ended September 30, 2020 and 2019, the Authority recorded rental income under the Lotte Agreement totaling \$8,957,488 and \$13,307,418, respectively, for use of the main rental space.

Mediation Term Sheet and Addendum

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

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

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, 2020 is as follows:

<u>Year ending September 30,</u>	
2021	\$ 15,160,000
2022	15,160,000
2023	<u>12,633,333</u>
Total future minimum lease income	<u>\$ 42,953,333</u>

Pac Air Properties, LLC

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

For the years ended September 30, 2020 and 2019, the Authority accrued rental income totaling \$313,200 and \$288,450, 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, 2020 and 2019, accrued rental receivable totaled \$507,600 and \$637,200, respectively, and is shown as accounts receivable from tenant in the accompanying statement of net position.

Antonio B. Won Pat International Airport Authority, Guam
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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>	
2021	\$ 313,200
2022	313,200
2023	313,200
2024	315,900
2025	345,600
2026 - 2030	1,763,100
2031 - 2035	1,930,950
2036 - 2040	2,125,800
2041 - 2045	2,347,650
2046 - 2050	2,590,650
2051 - 2055	2,839,500
2056 - 2059	<u>2,389,950</u>
Total future minimum lease income	<u>\$17,588,700</u>

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

Rent expense for each of the years ended September 30, 2020 and 2019 totaled \$1,058,400 and is included under contractual services in the accompanying statements of revenues, expenses and changes in net position.

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

Year ending <u>September 30,</u>	
2021	\$ 955,500
2022	820,500
2023	820,500
2024	<u>820,500</u>
Total future minimum lease income	<u>\$ 3,417,000</u>

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

9. Leases, continued

Pac Air Properties, LLC, continued

The Authority has a sublease agreement with the Government of Guam’s Customs and Quarantine Agency (GovGuam CQA) to lease 25,000 square feet of the aforementioned 32,500 square feet rental space for annual rental of \$780,000. Rental income for each of the years ended September 30, 2020 and 2019 totaled \$780,000 and is included under rental income in the accompanying statements of revenues, expenses and changes in net position.

Future minimal sublease income from GovGuam CQA is as follows:

Year ending September 30,

2021	\$ 780,000
2022	780,000
2023	780,000
2024	780,000
2025	<u>780,000</u>
Total future minimum lease income	<u>\$ 3,900,000</u>

Other Leases

The Authority has lease agreements with scheduled air carriers, various concessionaires and other airport users. The agreements provide the lessees with the use of the airport’s system facilities, equipment and services. On October 1, 2019, new but substantially similar Signatory Airline Operating Agreements and Terminal Building Leases (the “Airline Operating Agreements”) went into effect with nine of the Authority’s 11 passenger air carriers serving the Airport (the “Signatory Airlines”). The Authority has provided a final lease that is pending execution by 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.

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

9. Leases, continued

Other Leases, continued

Future minimum lease payments on other noncancellable operating leases (excluding the Lotte and Pac Air and GovGuam CQA lease described above) as of September 30, 2020 are as follows:

Year ending September 30,

2021	\$ 4,828,000
2022	4,183,000
2023	3,041,000
2024	3,047,000
2025	284,000
Thereafter	<u>2,794,000</u>
 Total future minimum lease income	 \$ <u>18,177,000</u>

10. Long-Term Liabilities

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

	Outstanding October 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2020</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued sick leave	\$ 148,110	\$ 22,595	\$ ---	\$ 170,705	\$ ---	\$ 170,705
Accrued annual leave	1,238,258	1,278,996	1,023,967	1,493,287	446,556	1,046,731
Loan payable to bank	6,048,641	---	1,247,025	4,801,616	1,329,368	3,472,248
Net pension liability	33,826,304	1,476,990	---	35,303,294	---	35,303,294
Collective total other postemployment benefit liability	45,048,838	18,395,773	---	63,444,611	---	63,444,611
2013 and 2019 General revenue bonds	<u>194,513,408</u>	<u>38,553,545</u>	<u>53,828,763</u>	<u>179,238,190</u>	<u>3,850,000</u>	<u>175,388,190</u>
	<u>\$280,823,559</u>	<u>\$59,727,899</u>	<u>\$56,099,755</u>	<u>\$ 284,451,703</u>	<u>\$ 5,625,924</u>	<u>\$278,825,779</u>

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

10. Long-Term Liabilities, continued

A summary of changes in long-term liabilities during fiscal year 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>

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 Decision Document (DD) for Operable Unit 3 (OU3) which is the groundwater located under the former Naval Air Station. The DD presents the selected remedy for OU3, which calls for extraction and treatment at Well NAS-1 and future wells, if necessary, and natural attenuation. The DD identifies the Navy as the lead agency for the cleanup with support agencies that include the Authority, Guam Environmental Protection Agency (GEPA) and the US EPA. The Navy, the Authority and GEPA are the authorized signatories for the DD.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Environmental Response Actions, continued

The Authority's responsibilities under the Remedial Action are limited to groundwater sampling and testing as currently performed. In the near future, the ongoing sampling and testing requirements will be reduced or completely eliminated. A specific request to this effect 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 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, 2020 and 2019, future pollution remediation and monitoring costs totaling \$359,638 and \$479,614, respectively, are reflected as a component of other current liabilities in the accompanying statements of net position.

Federal Program Costs

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

Commitments

The Authority has commitments totaling approximately \$52.8 million under several construction contracts at September 30, 2020.

In addition, the Authority has commitments under other various contracts totaling approximately \$15.1 million at September 30, 2020.

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, 2020 and 2019, the balances in the Renewal and Replacement Fund and Risk and Loss Management Reserve Fund are \$1 million and \$6.3 million, respectively. The Authority has a catastrophic insurance policy with coverage up to \$5 million as a supplement to the self-insurance.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Government of Guam General Fund

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

Notwithstanding the requirements of 5 G.C.A. § 22421, the Authority is prohibited by its 2013 General Revenue Bond Indentures (2013 Indentures) and federal law from transferring any funds from its operating surplus to the General Fund. Any diversion of the Authority's revenues under any formula will place the Authority in breach of the 2013 Indentures and will jeopardize ongoing and future federal funding, possibly even subjecting the Authority to millions of dollars in federal civil penalties. Accordingly, the Authority cannot transfer any of its revenues to the General Fund as directed by 5 G.C.A. § 22421 and no liability has been recorded for this contingency as of September 30, 2020 and 2019. This position has been supported by legal determinations, past and present.

During the year ended September 30, 2020, there was no substantive progress of discussions with the Executive and Legislative branches to repeal 5 GCA § 22421 or on the issue of the Government of Guam assessment.

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

Water System Infrastructure Upgrade

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

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

A new water system commercial agreement is being negotiated between the Authority and GWA to account for operational and maintenance omissions and deficiencies and to improve repair and replacement procedures. The new agreement is expected to be executed during 2021. Other matters include real estate issues that will allow GWA the ability to expand the capacity of the water reservoirs. The Authority expects to approve GWA's proposal expansion. Additional issues include GWA servicing of the former Naval officers housing occupants and the disposition of aged water lines within the airfield.

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

Litigation

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

DFS Guam L.P. Specialty Retail Protest Litigation

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

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

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

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

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Notes to Financial Statements, continued

11. Commitments and Contingencies, continued

DFS v. Lotte Tort Action

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

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

DFS Guam L.P. (DFS) Holdover Dispute

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

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

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

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

11. Commitments and Contingencies, continued

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

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, 2020 and 2019, as a component of other current liabilities.

DFS Sunshine Act Lawsuit

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

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

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

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

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

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

11. Commitments and Contingencies, continued

Exchange License Agreement

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

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

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

Other

In December of 2012, the Department of Administration paid out merit bonuses for line agency employees who met the criteria set forth pursuant to 4 GCA Chapter 6 § 6203. Merit bonuses are to be paid to employees who receive a superior rating evaluation conducted for increment purposes. The Authority is currently conducting its due diligence to determine its obligation to pay out merit bonuses. At September 30, 2013, the Authority has accrued about \$1.5 million as an estimate of costs to pay bonuses for the airport employees. In addition, the Authority has accrued about \$681,000 as costs for the last incremental 10% salary increase for Airport Rescue Firefighters and Airport Police uniformed personnel pursuant to Public Law 29-105. This payment is for fiscal years 2012 and 2013. At September 30, 2020 and 2019, \$248,000 remained as unpaid obligation for inactive employees.

2019 Novel Coronavirus (COVID-19)

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

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

12. Customs, Agriculture and Quarantine Inspection Services Charge

During the years ended September 30, 2020 and 2019, 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, 2020 and 2019, fees assessed to air carriers related to the aforementioned arrangement totaled approximately \$6.4 million and \$13.8 million, respectively. For the years ended September 30, 2020 and 2019, remittances to the Treasurer of Guam related to the aforementioned arrangement totaled approximately \$5.9 million and \$10.7 million, respectively. For the years ended September 30, 2020 and 2019, the Authority offset \$1.9 million and \$3.5 million, respectively of customs fee payable with amounts owed from GovGuam CQA for its various lease agreements with the Authority.

At September 30, 2020 and 2019, the Authority recorded customs fees payable to the Treasurer of Guam totaling \$546,665 and \$2,037,979, respectively, for the above charges, of which \$343,445 and \$1,607,081, 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
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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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	2.56%	2.54%	2.46%	2.45%	2.35%	2.45%	2.32%
Authority's proportionate share of the net pension liability	\$ 31,118,382	\$ 29,987,434	\$ 28,053,913	\$ 33,532,175	\$ 32,241,435	\$ 30,570,481	\$ 30,256,332
Authority's covered payroll	\$ 13,286,188	\$ 13,099,014	\$ 13,253,631	\$ 13,107,529	\$ 13,353,696	\$ 12,788,348	\$ 12,883,180
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	234.22%	228.93%	211.67%	255.82%	241.44%	239.05%	234.85%

*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.

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

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 3,390,951	\$ 3,106,326	\$ 2,242,956	\$ 2,966,912	\$ 3,060,666	\$ 3,178,277	\$ 3,297,500	\$ 2,857,688	\$ 2,405,802	\$ 2,372,679
Contribution in relation to the contractually required contribution	<u>3,390,951</u>	<u>3,106,326</u>	<u>2,242,956</u>	<u>2,966,912</u>	<u>3,060,666</u>	<u>3,178,277</u>	<u>3,297,500</u>	<u>2,857,688</u>	<u>2,405,802</u>	<u>2,372,679</u>
Contribution excess	<u>\$ -</u>									
Authority's covered-employee payroll	\$ 14,926,162	\$ 13,417,930	\$ 13,099,014	\$ 13,253,631	\$ 13,107,529	\$ 13,353,696	\$ 12,788,348	\$ 12,883,180	\$ 10,356,825	\$ 10,295,803
Contribution as a percentage of the Authority's covered-employee payroll	22.72%	23.15%	17.12%	22.39%	23.35%	23.80%	25.79%	22.18%	23.23%	23.05%

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

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

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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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 234,947	\$ 215,570	\$ 226,046	\$ 224,018	\$ 218,041	\$ 214,041	\$ 198,678	\$ 150,712	\$ 168,354	\$ 133,356
Contribution in relation to the contractually required contribution	<u>234,947</u>	<u>215,570</u>	<u>226,046</u>	<u>224,018</u>	<u>218,041</u>	<u>214,041</u>	<u>198,678</u>	<u>150,712</u>	<u>168,354</u>	<u>133,356</u>
Contribution excess	<u>\$ -</u>									

Antonio B. Won Pat International Airport Authority, Guam
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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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportionate share of the collective total pension liability	\$ 1,234,060	\$ 1,053,200	\$ 1,365,758	\$ 1,301,894	\$ 1,043,706
Authority's proportion of the collective total pension liability	2.06%	2.13%	2.19%	2.11%	2.00%

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

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

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

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

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

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

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

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

Other Postemployment Benefit Plan
(Unaudited)

Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 515,865	\$ 502,180	\$ 440,077	\$ 445,487	\$ 408,841	\$ 362,761	\$ 256,563	\$ 261,312	\$ 301,527	\$ 338,697
Contribution in relation to the contractually required contribution	<u>515,865</u>	<u>502,180</u>	<u>440,077</u>	<u>445,487</u>	<u>408,841</u>	<u>362,761</u>	<u>256,563</u>	<u>261,312</u>	<u>301,527</u>	<u>338,697</u>
Contribution excess	<u>\$ -</u>									

Antonio B. Won Pat International Airport Authority, Guam
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Note to Required Supplementary Information
(Unaudited)

Changes of Assumptions – Pension Plans

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

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

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

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

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

Supplementary and Other Information

Antonio B. Won Pat International Airport Authority, Guam
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Years ended September 30, 2020 and 2019

Schedule 9
Facilities and Systems Usage Charges

	<u>2020</u>	<u>2019</u>
Passenger loading bridge usage charge	\$ 4,825,376	\$ 5,674,620
Departure facilities	3,320,638	8,347,101
Arrival facilities	3,166,630	8,523,065
Landing	2,948,497	3,529,497
Public apron	1,255,161	1,434,721
Immigration	1,141,757	2,992,580
Utility recovery and other fees	630,898	589,104
Fuel flowage	242,016	251,570
	<u>\$ 17,530,973</u>	<u>\$ 31,342,258</u>

Schedule 10
Concession Fees

	<u>2020</u>	<u>2019</u>
General merchandise	\$ 8,983,541	\$ 13,340,865
Ground transportation	1,869,800	4,056,595
Car rental	826,033	1,669,980
Food and beverage	577,059	1,084,172
In-flight catering	557,166	890,493
Advertising	228,085	413,531
Other	183,124	275,490
Money exchange	126,539	237,760
Parking lot	126,354	253,295
	<u>\$ 13,477,701</u>	<u>\$ 22,222,181</u>

Schedule 11
Rental Income

	<u>2020</u>	<u>2019</u>
Operating space:		
- Non-airline	\$ 4,504,052	\$ 4,778,327
- Airline	2,849,045	4,268,780
Building and maintenance shop rentals	1,835,493	1,834,670
Other	1,695,621	1,656,908
Cargo rentals	285,802	282,766
	<u>\$ 11,170,013</u>	<u>\$ 12,821,451</u>

Antonio B. Won Pat International Airport Authority, Guam
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Years ended September 30, 2020 and 2019

Schedule 12
Contractual Services

	<u>2020</u>	<u>2019</u>
Repairs and maintenance	\$ 7,140,597	\$ 7,892,655
Power	4,989,303	6,266,316
Professional services	4,299,019	6,772,129
Miscellaneous	2,123,369	2,236,069
Insurance	819,950	574,573
Utilities and telephone	672,231	677,472
Advertising and promotions	493,328	819,781
Travel/training and certifications	109,668	290,985
	<u>\$ 20,647,465</u>	<u>\$ 25,529,980</u>

Schedule 13
Personnel Services

	<u>2020</u>	<u>2019</u>
Salaries and wages	\$ 15,172,534	\$ 13,286,188
Retirement contributions	3,136,416	3,925,004
Insurance	963,326	920,680
	<u>\$ 19,272,276</u>	<u>\$ 18,131,872</u>
Full-time employee count in September	<u>202</u>	<u>203</u>

Schedule 14
Materials and Supplies

	<u>2020</u>	<u>2019</u>
Office and security supplies	\$ 481,464	\$ 359,696
Equipment and vehicle maintenance and supplies	353,717	483,500
Building maintenance and supplies	240,756	78,273
Miscellaneous	224,479	132,588
Electrical and plumbing	224,341	182,526
	<u>\$ 1,524,757</u>	<u>\$ 1,236,583</u>

Antonio B. Won Pat International Airport Authority, Guam
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Year ended September 30, 2020

Schedule 15
Insurance Coverage

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

Antonio B. Won Pat International Airport Authority, Guam
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Years ended September 30, 2020 and 2019

Schedule 16
Debt Service Computation

	Year ended September 30,	
	<u>2020</u>	<u>2019</u>
Net revenues		
Revenues:		
Operating revenues	\$ 43,160,797	\$ 68,952,816
Non-operating revenues: passenger facility charge income	2,919,951	7,362,377
Non-operating revenues: interest income	1,818,696	2,472,913
Non-operating revenues: grants from the United States Government	15,094,077	415,108
Capital grants from the United States	12,054,605	7,766,386
Non-operating revenues: grants from the Government of Guam	8,069	---
Less:		
Investment income from CIF related funds	(434,857)	(1,146,197)
Capital grants from the United States	(12,054,605)	(7,766,386)
Operation and maintenance expense	(41,444,498)	(44,898,430)
Other bookkeeping entries-noncash pension cost	3,421,072	3,846,966
Other bookkeeping entries-noncash OPEB cost	5,720,640	3,686,372
Actual contribution to GGRF	(3,665,898)	(3,361,896)
Actual contribution to DOA	(515,865)	(502,180)
Miscellaneous expenses	(6,141,294)	(3,762,275)
	<u>\$ 19,940,890</u>	<u>\$ 33,065,574</u>
Other available monies (lesser of amount in capital improvement fund or 25% of debt service fund)		
Capital improvement fund	<u>\$ 25,443,467</u>	<u>\$ 42,537,121</u>
25% of debt service	<u>\$ 3,393,565</u>	<u>\$ 5,968,250</u>
	<u>\$ 3,393,565</u>	<u>\$ 5,968,250</u>
Aggregate annual debt service		
Sum of interest due for the fiscal year	\$ 9,724,260	\$ 11,268,000
Sum of principal due for the fiscal year	3,850,000	12,605,000
	<u>\$ 13,574,260</u>	<u>\$ 23,873,000</u>
Debt service ratio		
Net revenues	\$ 19,940,890	\$ 33,065,574
Other available monies	3,393,565	5,968,250
	<u>\$ 23,334,455</u>	<u>\$ 39,033,824</u>
Divided by: aggregate annual debt service	<u>\$ 13,574,260</u>	<u>\$ 23,873,000</u>
	<u>1.72</u>	<u>1.64</u>

Antonio B. Won Pat International Airport Authority, Guam
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Years ended September 30, 2020 and 2019

Schedule 17
Employee Data
(Unaudited)

Department	Employees (a)		Personnel Services (b)	
	2020	2019	2020	2019
Board	1	1	\$ 53,386	\$ 25,113
Administration	34 (c)	35 (c)	3,169,813	3,546,166
Property Management	9	10	949,851	909,658
Accounting	12	11	1,129,133	983,116
Engineering	10	10	996,631	891,757
Operations	20	21	1,929,934	1,864,848
Properties & Facilities				
Maintenance	36	36	2,914,176	2,613,216
Airport Police	46	46	4,784,000	4,108,500
Aircraft Rescue Fire				
Fighting	34	33	3,345,352	3,189,498
Total	202	203	\$ 19,272,276	\$ 18,131,872

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:	2020	2019
Executive management	5	5
Administrative support	14	14
Personnel	3	3
Marketing	3	3
Procurement	5	5
Management information system	4	5
	34	35