



OFFICE OF THE PUBLIC AUDITOR

## Guam International Airport Authority FY 2003 Highlights

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March 17, 2004

The Guam International Airport Authority (Airport) was the first Government of Guam agency to issue its audited financial statements for fiscal year ending September 30, 2003 and before the required due date of June 30 th .

For the fifth consecutive year, the Airport suffered a loss. It amounted to \$16.7 million. This loss can be attributed to several factors: a decline in operating revenues of \$6.4 million from \$44 million in 2002 to \$38 million in 2003 and an increase in non-operating expenses of \$6 million. Concession fees decreased by over 52%, from \$18 million in 2002 to \$9 million in 2002. The \$9 million decline in concession fees was partly offset by a \$3 million increase in facilities and system usage charges; the charges were up from \$17 million in 2002 to \$20 million in 2003. The decrease in concession fees is attributed to the impact of the new Duty Free Shoppers (DFS) lease agreement which was negotiated in 2002.

Non-operating expenses totaled \$17.1 million, a \$6.4 million increase over the prior year. Non-operating expenses items included typhoon-related expenses of \$6 million, abandoned projects of \$3 million, \$1.9 million in one-time promotional expense and off-island consultant. After Typhoon Chata'an in 2002, the Authority adopted a self-insuring policy for earthquake and typhoon coverage. At September 30, 2003 the self-insurance fund balance was approximately \$3 million.

Although there was a \$3 million decrease in operating expenses from \$28 million in 2002 to \$25 million in 2003 it was not enough to offset the overall net loss of \$16.7 million. Operating expenses decreased in the categories of travel, legal expenses, advertising and promotion, and miscellaneous. Travel expense was \$517,396, a 50% decrease from \$1 million in 2002. Of the \$517,396 in 2003, 95% was expensed during the first three months of fiscal year 2003, attributed to the prior administration while the current administration incurred \$26,000 of travel cost. Legal expenses went from \$1.1 million to \$510,000 in 2003.

The Airport's assets increased \$51 million with the appraisal of the 1,417 acres transferred from the Navy in September 2000.

The refunding of the 1993 Series bonds resulted in a \$17.6 million reduction of the Authority's aggregate debt service payments over the life of the bonds and an economic gain of \$14.5 million. At the end of fiscal year 2003, the Authority issued \$216,250,000 in Series 2003 General Revenue Bond to retire \$216,185,000 of outstanding 1993 Series bonds. There was an \$11 million issuance cost, \$8 million of which was used for insurance of the

bond. The first installment and accrued interest payment on the bond will not be recorded until fiscal year 2005.

The Airport's cash collections have improved from prior years. Accounts receivable dropped by 33% from \$7.8 million in 2002 to \$5.2 million in 2003. Restricted investments and cash, however, have experienced decreases for the past three years, \$45,802,666 in 2001, \$40,094,355 in 2002 and \$24,079,056 in 2003.

In the auditor's report on the Airport's compliance and internal controls there were nine findings in 2003 compared to 19 in 2002. Of the nine findings, the auditor's noted \$3.2 million in questioned costs. The abandoned project of creating statutes of Guam Governors (\$1.2 million) and the Terra Cotta Warrior Exhibit (\$1.6 million) were expended on projects that were neither capital or operating costs of the Airport. In another finding, the auditors discovered that subcontractors to Airport contractors did not comply with the Davis-Bacon federal wage law; workers were paid from a dollar to \$6.50 less than the required prevailing wage law.

Detailed descriptions of the findings can be found in the full compliance report at [www.guamopa.org](http://www.guamopa.org).