



## **Guam International Airport Authority FY 2015 Financial Highlights**

March 4, 2016

### **Guam Airport Achieves Low-Risk Auditee Status**

The A.B. Won Pat International Airport Authority (Airport) is to be commended for achieving low-risk auditee status, joining the Port Authority of Guam and Guam Community College. No findings pertaining to federal funds were identified in fiscal year (FY) 2015, qualifying the Airport as a low-risk auditee. Independent auditors Ernst & Young, LLP gave the Airport an unmodified (clean) opinion for its FY 2015 financial statements and compliance over major federal programs.

The Airport closed FY 2015 with an increase in net position of \$13.1 million (M) from \$11.5M in FY 2014, primarily attributed to \$18.8M in capital grants. Were it not for the capital grants, the Airport would have had an operating loss of \$5.7M.

As of October 1, 2014 the Airport implemented Governmental Accounting Standards Board (GASB) Statement No. 68 for the accounting and financial reporting for pensions. The Airport presented single year financial statements due to the lack of pertinent retirement data, while some other government of Guam entities were able to present comparative financial statements.

### **Revenues Increased**

Operating revenues comprised of facilities and systems usage charges, concession fees, and rental income of \$63.7M. Concession fees modestly increased by \$672 thousand (K), from \$23.3M in FY 2014 to \$24M in FY 2015. The Airport generated \$15.2M in FY 2015 from its general merchandise concessions, a \$519K increase in revenue from \$14.7M in FY 2014. Car rental activity also saw an increase from \$987K to \$1.1M.

In March 2013, Lotte Duty Free Guam, LLC (Lotte) was selected as the primary concessionaire for the Airport for a 10-year term beginning July 2013. Under the agreement, there is a minimum annual guarantee of \$15.2M for the use of the main retail concession.

### **Expenses Increased**

Operating expenses increased to \$39.7M compared to \$38.6M in the prior year. This increase is primarily attributed to the rise in contractual services and personnel services. Contractual services increased by \$780K from \$20.3M in FY 2014 to \$21.1M in FY 2015. Within contractual services, the top five categories were (1) Repairs and Maintenance at \$5.3M, (2) Power at \$5.2M, (3) Professional Services at \$4.8M, (4) Miscellaneous at \$3.5M, and (5) Insurance at \$892K. Miscellaneous services increased significantly, going from \$1.8M to \$3.5M. This increase was due to the provision for arbitration and legal services costs.

### **Government Accounting Statement – Pension Liability**

The implementation of GASB 68 related to Accounting and Financial Reporting for Pensions in FY 2015 recognized the Airport's pro rata share of the GovGuam's net pension liability. Per the

Government of Guam Retirement Fund, GovGuam's pension liability of \$1.3 billion (B) in FY 2014 was reduced to \$1.2B in FY 2015. The Airport's pro rata share increased, going from \$30.2M in FY 2014 to \$30.6M in FY 2015 due to higher payroll costs.

### **Series 2013 Airport Bonds and Capital Improvement Projects**

In September 2013, the Airport issued 2013 Bonds totaling \$247.3M. These bonds were obtained to refund the outstanding 2003 Bonds and finance improvements in the Airport. With \$110M of the bond proceeds for capital improvement projects, the Airport completed several projects and continued with those projects initiated in FY 2014, which include: the design of the Concourse Isolation project; construction for Hold Bag Screen Relocation project; design work for federal inspection services; and automated passport control kiosks.

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

The Airport received an unmodified (clean) opinion on its compliance report over major federal programs. The auditors did not identify any findings in FY 2015.

A separate management letter was issued containing four deficiencies pertaining to (1) indirect costs not being reimbursed (2) uncollated operating procedures on recordkeeping over federal awards, (3) potential conflicting duties for several processes, and (4) reclassifying projects from work-in-progress to capitalized assets in the correct accounting period. A separate letter was also provided on its information technology environment that identified three deficiencies.

### **Summary of Adjustments and Uncorrected Misstatements**

The auditors proposed four adjusting entries that resulted in a net increase of \$729K to net position. In addition, there were two uncorrected misstatements that would have increased net position by \$37K.

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