



# OFFICE OF PUBLIC ACCOUNTABILITY

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## A.B. Won Pat International Airport Authority – FY 2021 Financial Highlights

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Hagåtña, Guam – Despite the continued adverse impact of the novel coronavirus (COVID-19) pandemic against passenger activity and other revenue streams, the Antonio B. Won Pat International Airport Authority (Airport) closed fiscal year (FY) 2021 with an increase in net position (net income) of \$1.6 million (M), which was an increase of \$6.0M from FY 2020’s net loss of \$4.4M. This was mainly attributed to an increase in capital grants from the United States Government received by the Airport in FY 2021.

Independent auditors Ernst & Young, LLP (EY) rendered an unmodified (clean) opinion on the Airport’s financial statements and compliance over major federal programs. The independent auditors did not identify any material weaknesses or significant deficiencies in its report on compliance and internal control over financial reporting and in their internal control over compliance related to federal awards. The Airport is commended for regaining its “low-risk auditee” status, as there were no material weaknesses identified in FY 2019 and FY 2020. A separate management letter was issued highlighting the Airport’s increasing trend in doubtful accounts.

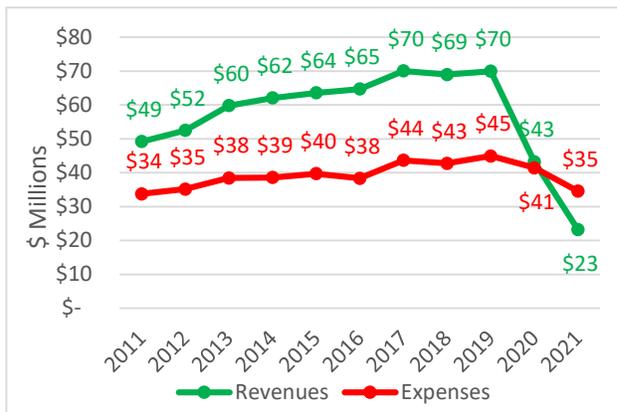
### Operating Revenues and Expenses Continued to Decrease

The Airport’s operating revenues continued to decrease in FY 2021 by \$20M from \$43.2M in FY 2020. Facility and systems usage charges decreased by \$12.2M, followed by concession fees at \$8.0M. However, miscellaneous revenue increased by \$826 thousand (K), of which \$616K is revenue from the Department of Administration for COVID-19 reimbursement. The remaining \$210K is attributed to a credit adjustment made in FY 2020. Overall, approximately 27% of the Airport’s total operating revenues, including passenger facility charge income, were derived from one airline customer in FY 2021. Similarly, a primary concessionaire also accounted for 21% of the total operating revenues in FY 2021.

Income from operating grants from the federal government, the government of Guam, and miscellaneous sources increased 38.3% year-over-year from \$16.1M in FY 2020 to \$22.2M in FY 2021. Much of this funding is attributable to the COVID-19 Relief Acts that was passed by Congress which helped to alleviate the economic strain placed upon the Airport and its business stakeholders.

This was the first time within the past ten years that operating revenues were not enough to cover operating expenses. However, FY 2021 total operating expenses of \$34.5M, which decreased by \$6.9M from \$41.4M in FY 2020, is the lowest it has been since FY 2012.

The \$5.8M decrease in contractual services primarily contributed to the overall decrease in operating costs and expenses, followed by a decrease in materials and supplies expenses of \$725K. This was attributed to the continued cost-cutting initiatives implemented in FY 2020, where the Airport maintained strict protocols to ensure the



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procurement of only essential supplies and services in support of its 24/7 operations, in compliance with its mandates as a Federal Aviation Regulations Part 139 airport.

### **COVID-19 Operations Modifications**

Transitioning into “New Normal” operations to help mitigate the impact of the COVID-19 pandemic on the Airport’s airline partners, concessionaires, and other service providers required an elevated level of collaboration and communication with all stakeholders. The Airport continued measures implemented in FY 2020 and maintained designated essential personnel onsite at the Airport to meet federal requirements.

The Airport implemented several financial relief programs for its concessionaires during FY 2021. From May through September 2021, the Airport adopted the Airline Recovery Assistance and Incentivizing Service Program, which provided discounts on operational rates and charges to stimulate air passenger service demand from all destinations in the Asia-Pacific Region. The Airport also provided financial relief for concessionaires whose contract payment terms required the higher of Minimum Annual Guarantees or percentage of sales, as well as implemented a temporary moratorium on tenant evictions for FY 2021. Non-terminal tenants were offered deferred rental payments for up to 180 days during the period of March to August 2021.

### **Debt Service Coverage (DSC) Ratio at 1.51x**

The Airport achieved a DSC ratio of 1.51x for FY 2021, which provides sufficient coverage of the required DSC ratio of 1.25x under the bond indenture for the issuance of its 2013 and 2019 General Revenue Bonds. This was attributed to the sale of 2021 Bonds, along with financial assistance provided by the federal government.

### **Litigation – DFS Guam L.P. (DFS) Holdover Dispute**

The Airport has been involved in several ongoing disputes concerning its former concessionaire, DFS, and its concession agreement that expired in 2013. In September 2021, the Superior Court filed a decision and order denying the Airport’s motion and granting DFS’ motion to correct an error in the Confirmation Order. Based on the decision and order, the Superior Court filed an Amended Judgement on the same day, which the Airport appealed. At the end of September 2021, the Airport filed a motion in the Superior Court to stay enforcement of the Amended Judgement, which the Airport is entitled to as a matter of right as a governmental entity. Although DFS opposed the motion, the motion is still pending before the Superior Court. A provision for loss of \$3.1M was recorded as of September 30, 2021 as a component of other current liabilities.

### **Management Letter**

Although there were no material weaknesses or significant deficiencies in its compliance report, EY issued a separate management letter that highlighted the Airport’s increasing trend in doubtful accounts. The auditors recommended Airport management continue to monitor and reassess the sufficiency of its allowance for doubtful accounts based on the current economic conditions presented by COVID-19.

### **Report on Compliance for Passenger Facility Charge (PFC) Program**

In a separate report on compliance and internal control and schedule of PFCs, EY noted one significant deficiency related to the remittance of PFCs, which was a repeat finding from FY 2020. Despite the Airport’s efforts to communicate the due dates of monthly PFC revenues, certain air carriers continue to make late payments.

For more details on the Airport’s operations, see the Management’s Discussion and Analysis in the audit report at [www.opaguam.org](http://www.opaguam.org).