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M&C Fwd: 2018 Annual Report - A.B. Won Pat International Airport

1 message

Speaker's Office <speaker@guamlegislature.org>
To: Clerks Office <clerks@guamlegislature.org>
Cc: Rennae Meno <rennae@guamlegislature.org>
Bcc: Tina Muna Barnes <tinamunabarnes@gmail.com>

Fri, Jul 5, 2019 at 9:12 AM

07-03-19	2:14 PM	07-03-19	2018 Annual Report	A. B. Won Pat International Airport Guam	35GL-19-0713

Sinsenru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910
T: (671) 477-2520/1
speaker@guamlegislature.org

35GL-19-0713
Speaker Tina Rose Muña Barnes

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Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yanggen lachi rinisibu-mu nu este na mensåhi , put fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ----------
From: **Lori Lynn Cruz** <lori.cruz@guamairport.net>
Date: Wed, Jul 3, 2019 at 2:14 PM
Subject: 2018 Annual Report - A.B. Won Pat International Airport
To: speaker@guamlegislature.org <speaker@guamlegislature.org>

Hafa Adai Honorable Speaker Tina Rose Muna-Barnes,

Please see attached, A.B. Won Pat International Airport Guam (GIAA) 2018 Annual Report.

Thank you,

Lori Lynn Cruz
Administrative Assistant
A.B. Won Pat International Airport Authority, Guam
Tel: 671-646-0300 Fax: 671-646-8823

2019 JUL -5 AM 9:17 RCVD

P.O. Box 8770, Tamuning, Guam 96931
355 Chalan Pasheru, Tamuning, Guam 96913
TEL (671) 646-0300 FAX (671) 646-8823
www.guamairport.com

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2018 Annual Report A.B. Won Pat International Airport - Hon. Senator Tina Rose Muna-Barnes.pdf
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A.B. WON PAT INTERNATIONAL AIRPORT GUAM
ATURIDAT PUETTON BATKON AIREN GUAHAN ENTENASIONAT

P.O. Box 8770
Tamuning, GU 96931
Tel (671) 646-0300
Fax (671) 646-8823
www.guamairport.com

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75th Guam Liberation — A Legacy of Peace and Friendship

July 3, 2019

VIA EMAIL: speaker@guamlegislature.org

Honorable Tina Rose Muna-Barnes
Speaker
35th Guam Legislature
163 Chalan Santo Papa
Hagatna, Guam 96913

RE: A.B. WON PAT INTERNATIONAL AIRPORT GUAM (GIAA)
2018 ANNUAL REPORT

Hafa Adai, Speaker:

Transmitted herewith is the A.B. Won Pat International Airport Authority Guam (GIAA) 2018 Annual Report.

Should you have any questions, please contact our office at 646-0300.

Senseramente,

Thomas C. Ada
Executive Manager

Attachment

cc: GIAA Admin

A.B. WON PAT INTERNATIONAL

AIRPORT GUAM



2018 ANNUAL REPORT

Doc. No. 35GL-19-0713.*

MISSION

The A. B. Won Pat International Airport Authority, Guam is charged with the mission to ensure the safety and security of the traveling public, maintain a superior and reliable level of airport services, and support the development of air services and facilities which are integral to the island's economic growth.

VISION HULO'

The only direction is UP!

"VISION HULO'" are initiatives undertaken to create future growth, development and opportunities for the Airport and for Guam that incorporates its capital improvement projects, revenue programs, increased services and enhanced operations.



Doc. No. 35GL-19-0713.*

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5 AIR SERVICE HIGHLIGHTS

6 FLIGHT NETWORK MAP

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9 STATISTICS

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Doc. No. 35GL-19-0713.*

Håfa Adai!

The A. B. Won Pat International Airport Authority, Guam (GIAA) is proud to present a management report of Fiscal year 2018 operations of the island's only civilian airport in the following pages. We hope to familiarize you with the efforts our Airport family extends to make the Guam International Airport the economic engine of our tourist based economy, and gain a sense of pride of this key asset of the people of Guam.

Over $900M has been invested in the A.B. Won Pat International Airport, its runways, support facilities, roadways and surrounding properties. Over $2.3B annually is infused in the economy as a result of Airport operations, indicated in a 2014 Economic Contribution study by Leigh Fisher and Associates. Currently, total employees working within the airport footprint in various aspects of operations and support services number just over 3,900 employees, of which less than 10% are Guam International Airport Authority employees.

Collective efforts from our airline partners, regulatory agencies, ground handlers and airline support service providers resulted in over 54,500 flights transporting over 3.4 million arriving, departing and transit passengers.

Total revenue from Airport operations amounted to $87M, covering all our expenses, and most importantly, our bond payments, which along with federal funds, allow the Airport Authority to continue work on key expansion and development projects that address safety and security and passenger facilitation.

As your management arm of Guam's key asset, the A.B. Won Pat International Airport Authority, Guam is committed to its mission to provide a safe and secure environment for the travelling public, maintain a reliable level of airport services and support the development of air services and facilities which are integral to the economic growth of Guam.



Doc. No. 35GL-19-0713.*



Key Achievements

- **Safe and Secure.** The Guam International Airport was nominated by the FAA Western Pacific Region for the "Top 10 in Safety and Best Overall Airport" at its annual conference for the region. We were certificated by the FAA as "safe and secure", with 100% compliance in 123 fields of safety and security in its annual inspection conducted in 2018.
- **"Most Efficient Airport under 10 Million Passengers".** This award was bestowed to GIAA by the prestigious Air Transport Research Society (ATRS), as a result of their annual Global Airport Performance Benchmarking Report.
- **Transparency and Responsiveness.** GIAA has made significant improvements in providing information to customers on the organization and airline operations. In addition to live flight times and status on the website and having full access of corporate documentation, GIAA also has a mobile app for convenience to passengers, as well as a portal for customer inquiries and complaints. In addition to the website and mobile app, GIAA has active presence on social platforms Facebook and Instagram and has 92% responsive rate to messages received in these portals.
- **High Financial Performance.** Verified by annual audits, and reviewed by world renown rating agencies, GIAA's financial performance has continued to receive high marks from the Office of the Public Auditor for receiving continuous years of clean financial audits and achieving the highly regarded "low risk auditee" status. In addition, GIAA has been consistent in achieving increases in net positions annually over the last 10 years.



Capital Improvement Projects

In Fiscal Year 2018, GIAA, guided by "Vision Hulo'" gained ground on key capital improvement projects to improve passenger facilitation and meet safety and security mandates. Most significant of these projects in various stages of completion are described below:

International Arrivals Corridor
We're building up, literally! Phase II of the International Arrivals Corridor project is well underway. A whole new level is being constructed on top of the existing concourse area. Upon completion, the new floor space will effectively separate all arriving passengers from departing passengers, thereby meeting the TSA mandate to separate passengers in what is now a shared concourse.

Aircraft Rescue and Firefighting Facility
A new Aircraft Rescue and Fire Fighting (ARFF) facility is being constructed to replace the current ARFF barn, constructed in the 1970s and transferred to the Airport Authority as part of the Naval Air Station Base Realignment and Closure Act in 1996.

TSA Security Checkpoint Expansion
Outbound passenger inspection lanes will increase from 5 to 7 lanes, facilitating the inspection process for departure.

Cargo Apron – Extend Fuel System Design
This project is to design new cargo apron and extension of the Airport's fuel distribution system.

Runway 6L Rehabilitation & Airport Aprons & Taxiway Rehabilitation
Rehabilitation of the Guam Airport's primary Runway 6L, the Taxiway and Parking/Apron areas, are two separate projects critical to maintaining our capacity and ability to receive flights and is a key facility asset that generates revenue by flight operations.

Doc. No. 35GL-19-0713.*



Air Service Highlights

FY 2018 was an eventful year for Airport Operations. US international relations in our region touched our shores with the heightened North Korean Missile Threat negatively influencing travel to Guam as a safe destination. Delta Air Lines announced its corporate decision for a complete withdrawal of service on Guam. Low cost carrier HK Express followed with its suspension of direct services to Hong Kong and Cape Air's code share operations with United Airlines was terminated for service to Saipan, CNMI.

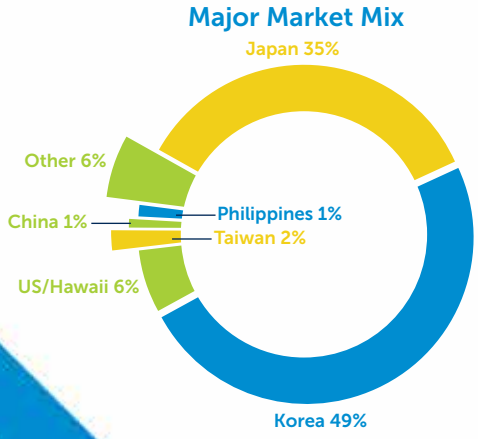
In spite of the above, over 3.41 million arriving, departing and transit passengers processed through the island's only commercial airport, on over 54, 500 flights that operated, with the Airport achieving its second highest enplanements at 1,780,572 for FY 2018.

Passenger service was provided by our airline partners that included United Airlines, Delta Air Lines*, China Airlines, Japan Airlines, Korean Air, Philippine Airlines, Jin Air, Jeju Air, Air Busan, T'way Air, Cebu Pacific, HK Express*, Cape Air * and Air Seoul. Star Marianas and Arctic Circle operate commuter services to the CNMI utilizing aircraft weighing 12,500 lbs. or less on scheduled and charter basis. All cargo operators UPS, Asia Pacific Airlines and FedEx brought in over 20,000 metric tons of cargo and mail.

*Delta Airlines, HK Express and Cape Air suspended services in FY 2018

Major Markets

Our visitor markets are captured in the Major Market Mix as recorded by the Guam Visitors Bureau in the below chart:



Major Markets

Market	2017	2018	% to LY
Japan	674,345	530,057	-21.4%
Korea	649,434	752,715	15.9%
US/Hawaii	76,291	89,338	17.1%
Taiwan	36,268	27,550	-24.0
China	23,239	17,027	-26.7%
Philippines	19,817	19,025	-4.0%

Source: GVB Statistics published October 2018

The Gateway to Asia-Pacific



- Air Busan
- Air Seoul
- Arctic Circle
- Cape Air*
- Cebu Air
- China Airlines
- Delta Air Lines*
- Hong Kong Express*
- Japan Airlines
- Jeju Air
- Jin Air
- Korean Air
- Philippine Airlines
- Star Marianas
- T'Way Air
- United Airlines

- Asia Pacific Airlines
- Federal Express
- UPS

** Delta Airlines, HK Express and Cape Air suspended services in FY2018*

Safety and Operations

As the Guam International Airport's core mission is to provide safe and secure operations, airport staff worked hard to not meet, but exceed standards imposed by our federal regulatory partners. In Fiscal Year 2018, GIAA received the following awards:

FAA CERTIFIES GUAM AIRPORT "TOP 10 IN SAFETY & BEST OVERALL AIRPORT"

As a result of annual inspections in 123 fields of safety and security, FAA has certified the Guam Airport as Safe and Secure, with "Zero" discrepancies over the past years, a 100% inspection score never attained before in the whole Western Pacific Region. This was achieved while processing over 32.3 Million Arriving, Departing and Transit Passengers, and 500,000 flights operated by 24 airlines over the last decade.

AWARDED MOST EFFICIENT AIRPORT UNDER 10 MILLION PASSENGERS by ATRS

The A.B. Won Pat International Airport's reputation in the region for excellence was once again enhanced, being voted the "most efficient airport under 10 million passengers", by the prestigious Air Transport Research Society (ATRS), as a result of its Annual Global Airport Performance Benchmarking Report.

In terms of operation, the Guam Airport invested nearly $27M in technology advancement to facilitate passenger processing:

- $26M in a state-of-the-art Integrated Baggage Handling System, increasing x-ray processing capacity from 200 up to 680 bags per hour.
- $500,000 for Automated Passenger Control (APC) kiosks in our immigration hall for the quick processing of visitors.
- Common Use Terminal Ticket counters to support a more efficient check-in process for passenger and maximizing space usage for our airline partners, valued over $200,000.





Community Outreach

The Guam International Airport Authority continued to be a responsible neighbor to the community, and commenced verification and acoustical testing inline with its residential sound solution program. This program, competitively attained through FAA funding, soundproofed eligible homes falling within the 65db range surrounding the airport.

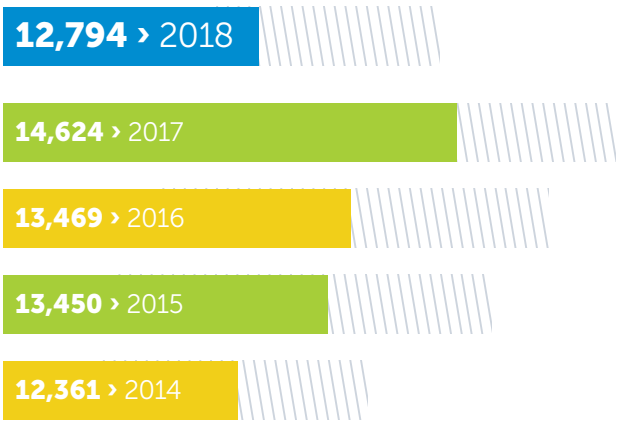
Future aviation-related careers are promoted through career day presentations and weekly student tours. The Airport hosted over 2,500 students at the facility tours, where they gained a full passenger experience from ticketing, passenger screening, boarding a plane and touring the Airport for exposure to the myriad career opportunities supporting air service to Guam.

The community also joins in on airport-sponsored events such as the annual 5k Run as part of Airport Week celebrations, now in its 18th consecutive year.

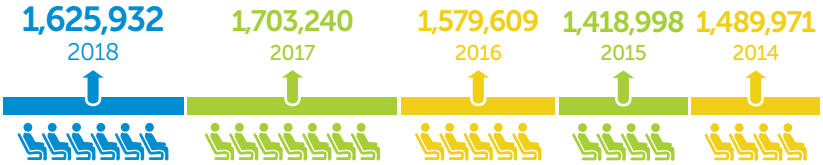
Cultural elements are alive in local art and exhibit displays throughout the terminal and Chamorro music is broadcast 24/7 through all public areas of the terminal.

The airport has supported cultural art with an initial $650,000 investment when the terminal was expanded and an additional similar amount as part of our "1% for the Arts" contribution for the International Arrivals Corridor project.

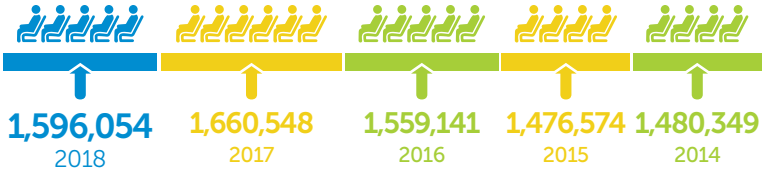
Air Cargo (Loaded & Unloaded; in Metric Tons)



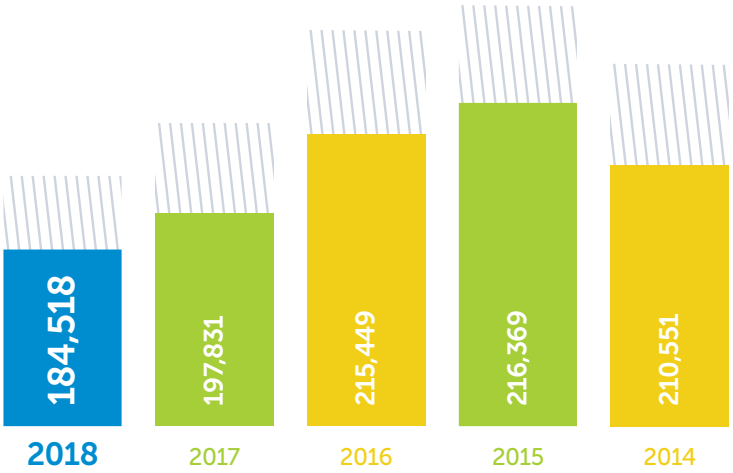
Arrivals



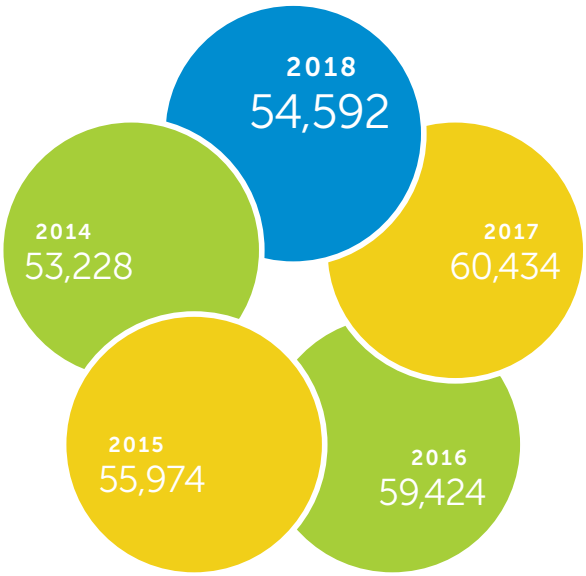
Departures



Transit Passengers

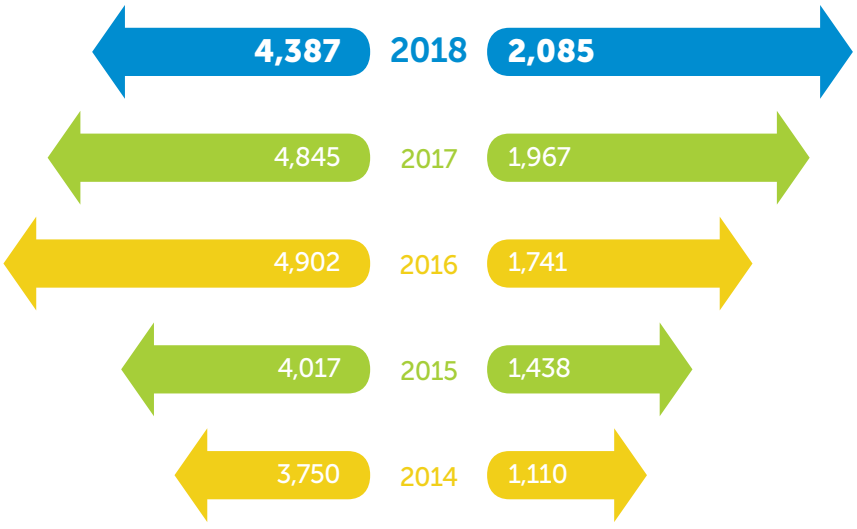


Number of Flights



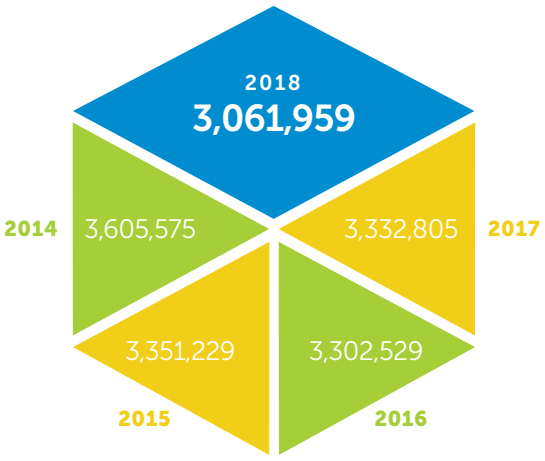
Incoming Mail (Metric Tons)

Outgoing Mail (Metric Tons)



Gross Take-Off Weight

(GTOW, 1,000 lbs.)



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, 2018 and 2017
with Report of Independent Auditors



Building a better working world

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

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

Years ended September 30, 2018 and 2017

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

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

Building a better working world

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, 2018 and 2017, 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.

A member firm of Ernst & Young Global Limited

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, 2018 and 2017, 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 24, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on pages 75, 77 and 79, the Schedule of the Authority's Contributions on pages 76, 78, 80 and 82 and the Schedule of the Authority's Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 81 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 84 through 88 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in pages 84 through 88 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 88 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 March 26, 2019 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

March 26, 2019

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, 2018

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, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Authority was created by Public Law 13-57 (as amended) as a component unit of the Government of Guam to own and operate the facilities of the Guam International Airport Terminal (the "Airport").

The Authority is a self-sustaining autonomous government agency, and operates and maintains the Airport. The Airport provides facilities for domestic overseas flights and international flights to destinations in Micronesia, Asia and Australia. It is authorized to impose and collect rates and charges for the Airport's services and properties to generate revenues to fund operating expenses, debt service and reserves. The 1993 Airport Bonds, refinanced in 2003, issued by the Authority, federal grants and airport revenues funded the construction of the Airport Terminal Building and the Capital Improvement Program. The Authority issued the 2013 Airport Bonds during the 4th quarter of FY2013 that refunded the 2003 bonds and provided funds for planned capital improvement projects.

A. Mission Statement

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

B. Using the Financial Statements

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

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

C. Authority Activities and Highlights

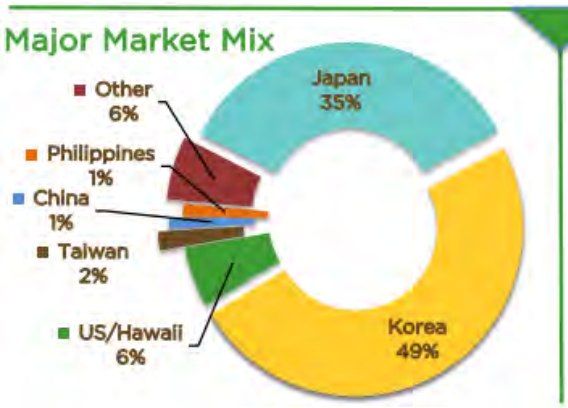
After setting the Gold Standard in FY 2017 for enplanements which amounted to 1,858,379 passengers, the Antonio B. Won Pat International Airport Authority, Guam launched ***"Vision Hulo,"*** which is an all-encompassing campaign for future growth, development and opportunities for the airport, and achieved its second highest fiscal year amassing 1,780,572 enplanements for FY 2018. Approximately 3,406,504 total passenger movements processed through the island's only commercial airport for this time period.

Signatory airlines accounted for over 99.2% of total outbound traffic, equating to approximately 1,767,087 enplanements in FY 2018. Non-signatory activity that consists mainly of charter, general aviation operators, and drop-ins, accounted for the remaining .8% equating to roughly 13,485 passengers. 96.3% of the Authority's outbound traffic is comprised of origin/destination (O/D) passengers from key markets of Japan, Korea, Taiwan, and China.

Passenger deplanements (arrivals) for the Authority correlate to the Guam Visitors Bureau (GVB) statistics for visitor arrivals via air that was published in October 2018 for the same period. The Authority recorded a -4.8% decrease from 1,708,581 arriving, non-transit passengers in FY 2017 versus the 1,625,932 recorded for FY 2018. GVB's statistics for the same timeframe and mode of transportation reflect a -2.8% decrease year-over-year from 1,544,973 to 1,501,633. Aside from the diminished capacity to/from major source markets as carriers servicing the Asian region looked to reorganize their fleet and routes, the drop in visitor arrivals to Guam was due to external factors such as the continued North Korea Missile threat that began in late 2017 and continued through June 2018, and Typhoon Mangkhut that passed through Guam in September 2018 causing the cancellation of 23 flights and approximately 6,000 aircraft seats. Despite the decrease, it was GVB's second best fiscal year after its record-breaking performance in 2017.

GVB's report for FY 2018 further revealed a shift in Guam's major markets as Korean visitors grew by 15.9%, from 649,434 to 752,717 year-over-year and surpassed Japan for the first time, accounting for 49% of the visitors to the island. Japan travelers amounted to 530,057 and comprised 35% of visitors to the island. This reflects a -21.4% decrease year-over-year from the 674,345 travelers in FY 2017, and a -41.2% decrease from the 901,683 visitors that arrived in FY 2012 from this once prominent market. Other source markets like Taiwan, China and the Philippines, which account for 4% of Guam's overall market, also saw a decrease of -19.8%, from 79,324 travelers in FY 2017 to 63,602 for FY 2018. The US/Hawaii market which accounts for 6% of the visitors to the island helped off-set the decreases in our major markets as travelers were up 17.1% from 76,291 to 89,338 year-over-year. Visitors from other destinations which make up the remaining 6% of our market remained relatively flat at .5% growth from 65,579 to 65,921 for the same period, which includes 4,013 visitors from Russia, up 27.4% from previous year's figure of 3,151.

C. Authority Activities and Highlights, continued



Major Markets

Market	2017	2018	% to LY
Japan	674,345	530,057	-21.4%
Korea	649,434	752,715	15.9%
US/Hawaii	76,291	89,338	17.1%
Taiwan	36,268	27,550	-24.0%
China	23,239	17,027	-26.7%
Philippines	19,817	19,025	-4.0%

Source: GVB Statistics published October 2018

The following airlines served the Authority with scheduled passenger service for FY 2018:

United Airlines, Delta Airlines*, China Airlines, Japan Airlines, Korean Air, Philippine Airlines, Jin Air, Jeju Air, Air Busan, T'way Air, Cebu Pacific, HK Express*, and Air Seoul. All-Cargo operators include Asia Pacific Airlines, Federal Express, and UPS. Cape Air*, the principal airline operator for commuter operations and inter-island passenger flight service to and from Guam and the CNMI, pulled out in June 2018. 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.

**Delta Airlines, HK Express and Cape Air suspended services in FY 2018*

C. Authority Activities and Highlights, continued

	2018	2017	2016	2018 % Increase (Decrease) from 2017
Major revenue sources:				
Landing fees	$ 3,855,236	$ 3,449,352	$ 2,725,891	11.77%
Terminal lease	12,008,558	11,618,961	11,023,891	3.35%
Concessions and parking	23,043,383	24,259,069	24,226,811	-5.01%
Total revenues	$ 38,907,177	$ 39,327,382	$ 37,976,593	-1.07%
Passenger (enplanement) activity:				
Signatory airlines	1,767,087	1,832,104	1,764,191	-3.55%
Non signatory airlines	13,485	26,275	10,399	-48.68%
Total enplanements	1,780,572	1,858,379	1,774,590	-4.19%
Aircraft operations	54,592	60,434	59,424	-9.67%
Aircraft landed wights (000,000)	3,061,959	3,332,805	3,302,529	-8.13%
O&D passengers	3,221,986	3,363,788	3,138,750	-4.22%
Transfer passengers	184,518	215,898	215,449	-14.53%
Total passengers	3,406,504	3,579,686	3,354,199	-4.84%

Capital Improvements

In line with its ***"Vision Hulo"*** campaign, the Authority continued to build "***UP"*** its $167 million in capital improvement projects that are focused on enhancing the safety and security of our community and traveling public, increase airport capacity, reduce airport noise, and provide the infrastructure that will create future opportunities for our island community. This would bring Guam's only commercial airport to a whole new level, reflecting an investment of more than $900 million in creating efficiencies to move people and cargo through the island's key essential facility to its tourism driven economy.

3rd Floor International Arrivals Concourse

Phase I of the long awaited 3rd Floor International Arrivals Concourse Isolation project was substantially completed with the concourse level hallways from Gates 4-8 completed. The build-out of the pod to provide vertical circulation to the 3rd Floor Sterile concourse and seismic upgrades was also in-progress. This project is scheduled for contract completion in September 2019 and will finally bring a permanent solution to the TSA mandate to separate arriving and departing passengers, and eliminate the temporary partitions that run through the existing concourse. In addition, it would alleviate congestion, improve passenger facilitation and enhance the services the Authority can offer, and capture additional revenue.

C. Authority Activities and Highlights, continued

Aircraft Rescue Fire Fighting Station

In June 2018, the Authority began the demolition and site preparation for the construction of a new state-of-the-art, Aircraft Rescue Fire Fighting station to replace the existing 40+ year old facility that was built to military specifications. The new layout would allow the Authority to optimize this key facility in conformance with AC 150/5210-15A and is essential to maintaining compliance with 14 CFR Part 139. Moreover, the design allows for a layout and floor plan that provides a smooth and unimpeded flow of personnel traffic to reach emergency response vehicles, enhancing the effectiveness and efficiency of emergency services personnel, providing timely response to protect life and property, and minimize the effects of an aircraft accident, incident, or catastrophic event occurring primarily on airport property. Phase I of the project is currently underway and includes the demolition and environmental mitigation of an existing on-site facility to make room for the new ARFF station that will commence construction shortly thereafter.

Runways/Aprons/Taxiways

The design for the rehabilitation of the Authority's primary 12,000 feet runway, 6L/24R, and the aprons and taxiways fronting the air terminal are underway. The design will identify the work needed to repair the spalling of joints, cracks, rutting and other deficiencies on pavement that is over 20 years old, and will increase the Authority's pavements' useful life for years to come. Moreover, it will increase the safety and efficiency of aircraft and ground support equipment operations, personnel activities, passenger movements, and aircraft servicing Guam's only commercial airport.

Other Projects

Other capital projects focused on enhancing the passenger experience from curb to cabin that were completed or are underway include: 1) The completion of the TSA Hold Baggage Screening Area helped to restore the Departure Lobby to its aesthetic pleasing design and recapture the capacity in this critical area for passenger processing; 2) the design for the expansion of the Security Screening Checkpoint area to facilitate passenger processing and increase passenger "dwell" time that will hopefully translate into optimal revenue for the Authority; 3) Reconfiguration of the public parking and commercial ground transportation areas that would be necessary to replace capacity lost from the improvements proposed for Route 10a and to enhance other ground transportation activities; and 4) construction for the expansion of the Tiyan Parkway (Phase II) which is currently underway with demolition of existing facilities and environmental mitigation of the sites as they become available.

C. Authority Activities and Highlights, continued

The Authority commenced verification and acoustical testing in line with its residential sound solution program in order to proceed with the soundproofing for eligible homes that fall within the 65db range surrounding the airport. Assessments have been completed for the wildlife hazard mitigation program and implementation of a safety management system that will help provide and promote a safe and secure operational environment and culture for airport stakeholders. Other miscellaneous improvements to the Authority's leasehold areas and terminal facilities such as the restoration and upgrades of bathroom facilities continue on a facility that is over 21 years old.

Financial and Operational Results

Despite the -4.2% decrease in enplanements for FY 2018, the Authority continued to take things to a whole new level in terms of its financial performance. For the 3rd straight year in a row, the Office of the Public Auditor commended the Authority for achieving "low risk" auditee status. There were no questionable costs or unresolved prior year audit findings, which speaks to the fiscal prudence and quality financial management of the Authority, especially with the management of grants from the federal government.

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

The Authority continuously strives to provide a competitive cost structure for its airline partners while maintaining a superior and reliable level of airport services in spite of the decrease in passenger activity. Cost per enplaned passenger (CPE) for signatory airlines rose slightly by 1.9% to $17.21 in FY 2018 versus the $16.89 for FY 2017. Debt service coverage (DSC) for FY 2018 remained relatively flat at 1.51 versus the 1.64 recorded for FY 2017, sufficiently covering the 1.25 DSC requirements under the 2013 bond covenants.

Net Position

The Authority's diversification and enhancement of its revenue streams continued to yield positive results in spite of the decrease in passenger movements in FY 2018. An increase of 12.5% *Invested in capital assets – net of related debt* from $202.3 million to $227.6 million year-over-year was a result of the completion of the TSA Hold Baggage Screening facility and other CIP projects that have been completed. Conversely, this required substantial draw downs on the Authority's *Restricted* and *Unrestricted* net assets (-32.3% and -48.4% respectively).

Additionally, the Authority's conformance with GASB No. 68, No. 73 & No. 75, reflects the Authority's proportionate share of its net pension liability and other post employment benefits along with associated deferred inflows, deferred outflows and pension, and other post employment benefit expenses or revenues. The *Deferred Inflow for Pension and Other Post Employment Benefits* amounted to approximately $5.6 million compared to the $296.6 thousand recorded in FY 2017.

C. Authority Activities and Highlights, continued

The resulting change in net position reflects a increase of .44% from $280.2 million in FY 2017 to $281.5 million in FY 2018.

Credit Ratings

Due to its consistent financial performance, the Authority's credit ratings for its General Revenue Bonds issued in 2013 were reaffirmed by credit rating agencies Standard & Poor's (S&P) and Moody's Investor Services. Moody's maintained its Baa2 investment grade rating for the Authority while S&P upgraded theirs from BBB to the next higher-tier level of BBB+. Both rating agencies maintained its "stable outlook" for their respective ratings (*sources: Moody's Report March 2018/S&P Report September 2018*).

Operations

In October 2017, the Authority was once again recognized by the FAA as the only airport in its region to pass its annual certification inspection, with a perfect 100% score with zero discrepancies.

This was the 2nd year in a row the Authority achieved this unprecedented status. The extensive certification process determines compliance with 14 U.S. Code of Federal Regulations (CFR) 139, the Airport's Certification Manual and the Airport Operating Certificate that covers 123 fields of federal compliance emphasizing safety and security. This prestigious recognition is evidence of the Authority's strict adherence to the highest standards of safety and security in the procedures and operations of the A.B. Won Pat International Airport.

The Authority was further recognized by the FAA's Western Pacific Region Office in June 2018 at its 9th Airports Conference held June 11-14 in Torrance, California for two other awards: 1) Airport Safety Award; and, 2) Outstanding Airport Award. Las Vegas McCarran International and Santa Barbara/Santa Paula Airports were selected respectively for these honors. Nevertheless, the recognition by the FAA reflects the stewards of Guam's only commercial airport stand shoulder to shoulder with the bigger, international, stateside airports, in terms of safety and outstanding performance. This is testament to the professionalism and hard work of the Authority's management and its dedicated employees who maintain a key essential facility and lifeline to Guam's tourism-driven economy. The FAA's Western Pacific Region encompasses states of Arizona, California, Hawaii, Nevada, American Samoa, Guam, Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau. They have oversight on all commercial and privately operated airports and heliports that number in the thousands and serve hundreds of millions of domestic and international travelers annually.

C. Authority Activities and Highlights, continued

In July 2018, the Authority's reputation in the region for excellence was once again highlighted as they were voted the "most efficient airport under 10 million passengers", by the Air Transport Research Society (ATRS), as a result of its 2018 Global Airport Performance Benchmarking Report. This unbiased, research based benchmarking report was prepared by members of a task force from Canada, USA, Australia, Japan, Hong Kong, the Netherlands, Germany and Israel. ATRS was established in 1995 to enhance the research capability for multi-national and multi-disciplinary issues on air transportation, and to foster interaction between international and national aviation academics dealing with policy, management strategy and infrastructure issues.

This recognition by ATRS which focuses on productivity and efficiency, unit costs and cost competitiveness, financial results, and airport rate charges, underscores the Authority' facility and operational performance as one of the top airports, not just regionally but on a global scale as well. This further reflects the Authority's commitment and efforts to create an exceptional airport experience for all airport users and stakeholders, as well as being an industry leader in safety and security.

In 2017, the National Travel and Tourism Office (NTTO), US Department of Commerce Authority, recognized Guam as one of the top 15 ports of entry for international arrivals for all United States ports. The NTTO report ranked Guam 9th with 1,392,706 visitors, behind Chicago, Illinois (1,717,097) and ahead of Houston, Texas (1,252,363). In October 2018, The NTTO's published its report through May 2018, ranking Guam 9th with 555,911 visitors, once again behind Chicago (675,245) and slightly ahead of Houston, Texas (507,179).

D. Financial Operation Highlights

A look at the Authority's *Total Assets and Deferred Outflow of Resources* for FY 2018 reflects a decrease of -1.58% to $611.8 million versus the $621.6 million for the prior year. This includes the $8.1 million recorded for *Deferred Outflow of Resources* in conformance with GASB No. 68, No. 73, and No. 75.

Moreover, the Authority's total assets were impacted mainly from the use of its unrestricted current assets as the $110 million 3rd Floor International Arrivals Corridor Phase I and other CIP projects got underway. Moreover, the Authority received $5.7 million less in grant reimbursements for FY 2018 that amounted to $7.9 million compared to the $13.6 million received in FY 2017. This could be attributed to the reimbursements not received prior to the closeout of FY 2018 as progress payments had not been billed yet for the Authority's projects that were either in the design phase or proceeding under the government procurement processes.

D. Financial Operation Highlights, continued

In addition, many of the South Korean airlines are in their second year of operations that entitled them to 75% discounts off the Authority's Rates and Charges for FY 2018. The incentive provides for 50% discount off the Authority's rates and charges for the first year of operations for new air service from an existing market. The incentive is then extended to 75% for the second year of operations. Additionally, the Authority offered a "Japan Only" incentive that provided for 50% of its rates and charges for FY 2018 only, in order to increase capacity from this key market. Many of the South Korean carriers (Jin Air, Jeju, Korean and T'way) utilized their 5th Freedom rights to take advantage of this additional incentive via Japan, as did Japan Airlines and United.

The Authority's *Total Liabilities* decreased by -4.8% year-over-year to $324.6 million versus the $340.8 million recorded in FY 2017. This may be attributed to the $23.8 million in debt service payments made on the 2013 General Airport Revenue Bonds reducing the Authorities Long-term liabilities from $300.7 million to $280.4 million year-over-year.

However, in conformance with GASB No. 68, No. 73, and No. 75, *Deferred Inflow of Resources for Pension and Other Postemployment Benefits* (OPEB) amounted to over $5.6 million that was recorded for FY 2018 versus the $296.6 thousand in FY 2017.

D. Financial Operation Highlights, continued

Financial Position Summary

A condensed summary of the Authority's Statements of Net Position at September 30, 2018, 2017 and 2016 is shown below:

Assets	2018	2017* *Restated*	2016** *Restated*	2018 % Increase (Decrease) from 2017
Current assets:				
Unrestricted	$ 10,355,627	$ 21,475,985	$ 15,190,235	-51.78%
Restricted	2,289,932	1,982,326	2,439,569	15.52%
Non-current assets:				
Unrestricted	85,449,399	68,117,428	53,827,597	25.44%
Restricted	63,351,017	91,028,546	112,769,578	-30.41%
Capital assets	432,542,017	418,738,589	414,579,319	3.30%
Avigation easements	9,121,529	10,397,709	11,673,888	-12.27%
Accounts receivable - trade	637,200	766,800	896,400	-16.90%
Deferred outflows of resources:				
Pension	3,794,526	3,877,874	4,597,392	-2.15%
Other postemployment benefits	4,323,359	5,275,020	---	-18.04%
Total assets and deferred outflows of resources	$ 611,864,606	$ 621,660,277	$ 615,973,978	-1.58%
Liabilities				
Current liabilities:				
Payable from unrestricted assets	$ 23,772,009	$ 19,946,752	$ 14,550,122	19.18%
Payable from restricted assets	20,392,509	20,170,952	20,418,491	1.10%
Long-term liabilities	280,459,537	300,764,870	264,786,416	-6.75%
Total liabilities	324,624,055	340,882,574	299,755,029	-4.77%
Deferred inflows of resources:				
Differences on refunding of 2013 bonds	172,676	237,873	312,187	-27.41%
Pension and OPEB	5,579,591	296,651	502,565	1780.86%
Total deferred inflows of resources	5,752,267	534,524	814,752	976.15%
Net position				
Net investment in capital assets	227,626,465	202,319,134	187,239,983	12.51%
Restricted	57,416,767	84,808,546	106,277,328	-32.30%
Unrestricted	(3,554,948)	(6,884,501)	21,886,886	-48.36%
Total net position	$ 281,488,284	$ 280,243,179	$ 315,404,197	0.44%

* Includes effects of GASB No. 75 implementation.
** Includes effects of GASB No. 68 and No. 73 implementation.

D. Financial Operation Highlights, continued

Operational Revenues

Operational Revenues which consist of facilities and use charges, concession fees, rental income, and miscellaneous revenues were impacted by the -4.4% decrease in passenger activity for FY 2018. Passenger movements amounted to 3,406,504 for this period versus 3,561,619 for FY 2017. The correlating effect on the Authority's Total Operating Revenue reflects a -1.6% decrease to $69.3 million from the $70.4 million amassed in FY 2017.

Aeronautical revenue for FY 2018 amounted to approximately $33.0 million and accounted for 47.6% of operational revenues and 38.1% of total revenues. The -1.9% decrease in revenue from the $33.6 million in FY 2017 was a result in the incentives that was provided for in FY 2018. However, the decline was off-set slightly due to the 11.8% increase in landing fees of approximately $400,000 thousand from $3.4 million to $3.8 million, and the 12.1% increase in Passenger Loading Bridge utilization that was up $800 thousand from $6.1 million to $6.9 million year-over-year.

Non-aeronautical revenue, which includes revenue from concession fees, lease of operating space from non-airline and other tenants, as well rental and miscellaneous income from other sources amounted to $36.4 million and accounted for 52.4% of total operational revenues and 42% of total revenues. This was the 5th consecutive year non-aeronautical revenue streams accounted for more than 50% of the Authority's operating revenue. Overall concession revenue (less in-flight catering) declined in correlation to total passenger movements by -5.1% from $23.3 million in FY 2017 to $22.2 million in FY 2018.

General merchandise concession revenue experienced a -2.9% decline from the $15.2 million contributed annually in large part through Lotte Duty Free's Minimum Annual Guarantee (MAG) which accounts for more than 20% of operating revenue generated by the Authority and over 15% of total revenues overall. The $14.8 million that was realized for FY 2018 was a result of an amended agreement as Lotte's concession areas were impacted from the 3rd Floor International Arrivals Corridor project.

Food and beverage (F&B) concessions were also impacted by the decline in passenger movements, down -5.1% to $1.02 million versus the $1.07 million in FY 2017. This is the 3rd year in a row F&B exceeded the million dollar mark.

The average revenue per enplaned passenger for general merchandise and F&B was up 1.2% to $8.89 versus $8.79 for the same time period.

Car rental for FY 2018 reflects an increase of 2.6% to $1.53 million from the previous year's figures of $1.49 million. Ground transportation concessions dropped -18.5% from $4.3 million in

D. Financial Operation Highlights, continued

FY 2017 to $3.5 million for FY 2018. The respective increase in Car rental and decline in Ground transportation revenues reveals a trend from the prior year activities that may indicate the changing demographics of visitors to Guam and the propensity to move away from group to more individual type of ground transportation arrangements.

Non-Operating Revenues

For FY 2018, Non-operating income was down -21.2% to $17.5 million from the $22.3 million received the prior year. This revenue source which accounts for over 20% of the Authority's total revenues annually come from interest income, Passenger Facility Charges, grants from the federal government, and miscellaneous sources.

Interest income for the year was up 63.7% from $1.2 million in FY 2017 to $2.07 million for FY 2018. This increase was a result of the Authority's initiative to enhance this particular revenue stream by diversifying its portfolio and investing in short-term, high yield instruments such as certificates of deposits and treasury bonds.

Passenger Facility Charges amounted to $7.0 million, reflecting a -2.8% decrease from prior year collections of $7.2 million. This charge is assessed for enplaned passengers and is used to fund the myriad of capital improvement projects undertaken by the Authority that are federally approved, and can also include payment of debt service for these projects.

The Authority aggressively seeks federal funding in the form of grants to fund airport improvements that will enhance the safety, security, or capacity, reduce airport noise, and increase air carrier competition for Guam's only commercial airport. Annually, the Authority receives over $4 million in entitlement funding based on the total number of enplanements from the prior year. In addition, the Authority aggressively pursues and is awarded discretionary grants on an annual basis. These grants can amount to $6-10 million dollars on average. The Authority has approximately $21.0 million in undistributed grants awarded through FY 2018. The revenue from these grants are based on reimbursable payments as the Authority first pays out and then draws down on the grant against the project they were awarded for. The Authority continues to draw down on the undistributed amounts as progress payments are made to the respective vendors. In FY 2018, the Authority received $7.9 million in reimbursements from the federal government versus $13.5 million in FY 2017.

Operational Expenses

Operational expenses for the Authority decreased by -2.4% year-over-year, equaling $46.8 million for FY 2018 versus $48.0 million for FY 2017.

D. Financial Operation Highlights, continued

Contractual services increased by 15.3% for the same period to $27.6 million versus the $23.4 million from the prior year. Many of these expenditures were required to proceed with major capital improvement projects that were in the design phase or required construction management, maintenance and security of the Authority's expanding footprint, and other professional services as needed for the improvement of Guam's only commercial airport.

Personnel services saw a significant decrease of -24.0% year-over-year from $18.2 million to $13.8 million. This decrease may be attributed to the Authority's conformance with GASB No. 68 and No. 73 and reflects true salaries and benefits less pension plans and other postemployment benefits. Additionally, the Authority maintained and managed its overtime budget for its personnel without sacrificing the safety and security of the traveling public. As of September 30, 2018, the Authority employed 209 full-time employees.

Moreover, the Authority maintained its material and supplies expenses as only essential supplies were billed or purchased. This resulted in a -13.0% savings from $1.36 million to $1.18 million for FY 2018.

Depreciation and amortization expenses increased by 2.4% from $27.3 million to $28.0 million. This increase may be attributed to the completion of the $32 million TSA Hold Baggage Screening Relocation project that came online officially in FY 2018.

Non-Operating Expenses

Non-operating expenses for FY 2018 decreased by -18.0% to $10.8 million versus $13.1 million in FY 2017. This is mainly attributed to payment of debt service towards the Authority's long-term liabilities without incurring additional debt. The Authority decreased its interest expense 13.8% from $11.2 million to $9.7 million for the same time period.

Airline Signatory Rates & Charges

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

Majority of the airlines operating at the A.B. Won Pat International Airport, Guam for FY 2018 are Signatory airlines. They comprised 99.2% of passenger activity for the Authority. They include the following carriers: United Airlines, Delta Airlines*, China Airlines, Japan Airlines, Korean Air, Philippine Airlines, Jin Air, Jeju Air, Air Busan, T'way Air, Cebu Pacific, Air Seoul, and Cape Air. (**Delta Airline and Cape Air suspended services in FY 2018.)*

D. Financial Operation Highlights, continued

Revenues

A summary of revenues for the years ended September 30, 2018, 2017, and 2016 and the amount and percentage of change in relation to prior year is as follows:

Operating revenues	2018	2018 % of total	2017	2017 % of total	2016*	2016 % of total	2018 % Increase (Decrease) from 2017
Facilities and systems usage charges:							
Departure facilities	$ 6,438,454	7.40%	$ 7,262,796	7.80%	$ 6,400,921	7.20%	-11.40%
Arrivals facilities	6,559,487	7.50%	7,217,137	7.80%	6,702,991	7.60%	-9.10%
Passenger loading bridge	6,895,713	7.90%	6,152,234	6.60%	6,859,198	7.80%	12.10%
Landing	3,855,235	4.40%	3,449,352	3.70%	2,725,891	3.10%	11.80%
Immigration	2,143,829	2.50%	2,561,033	2.80%	2,609,946	3.00%	-16.30%
Public apron	1,599,047	1.80%	1,624,347	1.80%	1,041,373	1.20%	-1.60%
Utility recovery charge and other fees	587,975	0.70%	517,710	0.60%	480,822	0.50%	13.60%
Fuel flowage	226,352	0.40%	220,539	0.20%	193,372	0.10%	2.60%
Total facilities and systems usage charges	28,306,092	32.60%	29,005,148	31.30%	27,014,514	30.50%	-2.40%
Concession fees:							
General merchandise	14,814,811	17.00%	15,262,095	16.40%	15,218,825	17.20%	-2.90%
Ground transportation	3,509,509	4.00%	4,308,545	4.60%	4,658,395	5.30%	-18.50%
Car rental	1,533,183	1.80%	1,493,833	1.60%	1,273,662	1.40%	2.60%
Food and beverage	1,021,361	1.20%	1,076,606	1.20%	1,074,657	1.20%	-5.10%
In-flight catering	844,661	1.00%	871,110	1.00%	893,235	1.00%	-3.00%
Other	1,319,858	1.50%	1,246,880	1.30%	1,108,037	1.30%	5.90%
Total concession fees	23,043,383	26.50%	24,259,069	26.10%	24,226,811	27.40%	-5.00%
Rental income:							
Operating space - non-airline	3,839,952	4.40%	4,132,588	4.50%	4,335,216	4.90%	-7.10%
Operating space - airline	4,500,606	5.20%	3,829,763	4.10%	3,097,436	3.50%	17.50%
Other	3,668,000	4.20%	3,656,610	3.90%	3,591,239	4.10%	0.30%
Total rental income	12,008,558	13.80%	11,618,961	12.50%	11,023,891	12.50%	3.40%
Grants from the U.S. Government	413,100	0.50%	421,580	0.50%	390,277	0.50%	-2.00%
Grant from the Government of Guam (OHS)	11,368	0.00%	28,968	0.00%	24,218	0.00%	-60.80%
Miscellaneous	5,571,796	6.40%	5,133,844	5.50%	2,952,068	3.30%	8.50%
Total operating revenues	69,354,297	79.80%	70,467,570	75.90%	65,631,779	74.20%	-1.60%
Non-operating revenues							
Passenger facility charge	7,081,113	8.10%	7,286,165	7.90%	7,058,805	8.00%	-2.80%
Interest income	2,077,360	2.40%	1,269,029	1.40%	906,469	1.00%	63.70%
Capital grants from the U.S. Government	7,928,287	9.10%	13,586,533	14.60%	14,217,549	16.10%	-41.60%
Other	496,880	0.60%	174,953	0.20%	636,793	0.70%	184.00%
Total non-operating revenues	17,583,640	20.20%	22,316,680	24.10%	22,819,616	25.80%	-21.20%
Total revenues	$ 86,937,937	100.00%	$ 92,784,250	100.00%	$ 88,451,395	100.00%	-6.30%

* Includes effects of GASB No. 68 and No. 73 implementation.

D. Financial Operation Highlights, continued

Expenses

A summary of expenses for the years ended September 30, 2018, 2017 and 2016 and the amount and percentage of change in relation to prior year is as follows:

Expenses	2018	2018 % of total	2017* Restated	2017 % of total	2016** Restated	2016 % of total	2018 % Increase (Decrease) from 2017
Contractual services	$ 27,672,687	32.00%	$ 23,996,751	27.00%	$ 19,800,537	24.00%	15.32%
Personnel services	13,884,736	16.00%	18,267,920	21.00%	18,597,812	23.00%	-23.99%
Materials and supplies	1,187,924	1.00%	1,365,208	1.00%	1,405,940	2.00%	-12.99%
Bad debt expense	-	0.00%	-	0.00%	552,772	1.00%	0.00%
Other	4,126,771	5.00%	4,419,075	5.00%	658,882	1.00%	-6.61%
Total operating expenses	46,872,118	54.00%	48,048,954	54.00%	41,015,943	51.00%	-2.45%
Depreciation and amortization	28,017,440	33.00%	27,365,679	31.00%	27,848,304	34.00%	2.38%
Non-operating:							
Interest expense	9,719,495	12.00%	11,281,416	13.00%	12,394,123	15.00%	-13.85%
Other expense	1,083,779	1.00%	1,894,652	2.00%	97,221	0.00%	-42.80%
Total non-operating expenses	10,803,274	13.00%	13,176,068	15.00%	12,491,344	15.00%	-18.01%
Total expenses	$ 85,692,832	100.00%	$ 88,590,701	100.00%	$ 81,355,591	100.00%	-3.27%
Total full time employees	209		207		208		

* Includes effects of GASB No. 75 implementation.
** Includes effects of GASB No. 68 and No. 73 implementation.

Change in net position

	2018
Total revenues	$ 86,937,937
Total expenses	85,692,832
Increase in net position	1,245,105
Net position at beginning of year	280,243,179
Net position, end of year	$ 281,488,284

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, 2018, 2017 and 2016 and the amount and percentage of change in relation to prior year is as follows:

Airport Revenues	2018	2018 % of total	2017	2017 % of total	2016	2016 % of total
Signatory airline rentals and fees	$ 30,404,908	39.20%	$ 30,935,494	39.41%	$ 28,752,086	39.20%
Revenue from sources other than signatory airline rentals and fees	38,525,895	49.70%	39,075,422	49.78%	36,476,091	49.70%
Passenger facility charge income	7,081,113	9.10%	7,286,165	9.28%	7,058,805	9.60%
Operating grants	424,467	0.50%	450,548	0.57%	414,495	0.60%
Interest income not related to contruction	1,060,981	1.50%	746,384	0.95%	641,020	0.90%
Airport revenues	$ 77,497,364	100.00%	$ 78,494,013	100.00%	$ 73,342,497	100.00%

	2018	% Change	2017	% Change	2016	% Change
Signatory airline enplaned passengers	1,767,087	-3.55%	1,832,104	3.85%	1,764,191	4.15%
Signatory airline cost per enplaned passenger	$ 17.21	1.89%	$ 16.89	3.62%	$ 16.30	-5.45%

Debt Service Coverage

Under the Bond Indenture for the issuance of the 2013 General Revenue Bonds, the Authority is required to maintain minimum debt service coverage of 1.25 in relation to net revenues versus annual debt service. A summary of the annual debt service coverage for the years ended September 30, 2018, 2017 and 2016 is as follows:

	2018	2017 *Restated*	2016 *Restated*	2018 % Increase (Decrease) from 2017
Airport revenues	$ 77,497,364	$ 78,494,013	$ 73,342,497	-1.27%
Less: operation and maintenance expenses	47,497,544	45,384,833	41,459,085	4.66%
Net revenues	29,999,820	33,109,180	31,883,412	-9.39%
Plus: other available monies	5,969,625	5,967,500	5,968,625	0.04%
Net revenues and other available monies	$ 35,969,445	$ 39,076,680	$ 37,852,037	-7.95%
Rate covenant				
Net revenues and other available monies	$ 35,969,445	$ 39,076,680	$ 37,852,037	-7.95%
Total annual debt service	$ 23,878,500	$ 23,870,000	$ 23,874,500	0.04%
Annual debt service coverage	1.51	1.64	1.59	
Debt service coverage requirement	1.25	1.25	1.25	

F. Outlook for FY 2018

Keeping in line with the Authority's "Vision Hulo" that launched in 2018, things continue to look up for Guam's only commercial airport. As the leader in civil aviation in the region, The Authority provides more than 50,000 flights annually, providing connectivity to/from 19 origination points in key Asian cities, Micronesia, and Honolulu. The Authority is the steward of a key essential facility and economic driver for the island and the region. With over 3,000,000 passenger movements annually, the Authority aspires to connect people and business, and promote commerce, while providing a safe, secure and exceptional airport experience for its users.

In FY 2019, the Authority will continue to develop programs and the infrastructure that will create future opportunities for our island and our communities throughout our region. With more than $167 million in capital improvement projects that are currently underway or in the design phases, these projects are focused on enhancing the safety and security of our community and traveling public, increase our capacity, reduce airport noise, and generate or sustain air service to our current or new markets.

Capital Improvements

The "sneak peak" for the completion of Phase I of the 3rd Floor Concourse Isolation project was held in October 2018. Phase II of the project is currently underway and expected to be completed by the end of FY 2019. This phase is a critical portion that needs to be completed before the full build out is done. This area will contain the electrical and mechanical rooms and the infrastructure needed to provide the vertical circulation of passengers down into the Customs and Border Protection Immigration Hall for arrival processing. We anticipate this phase to be completed near the end of the fiscal year. The contract completion date is scheduled for September 2019 and will finally bring a permanent solution to the TSA mandate to separate arriving and departing passengers, and eliminate the temporary partitions that run through the existing concourse. In addition, it would alleviate congestion, improve passenger facilitation and enhance the services the Authority can offer and capture additional revenue.

The Authority's design for the rehabilitation of its primary runway, 6L/24R, and the aprons and taxiways fronting the air terminal is expected to be completed in 2nd quarter of FY 2019. We anticipate these critical projects that will increase the safety and efficiency of aircraft and ground support equipment operations, personnel activities, passenger movements, and aircraft servicing to commence by summer 2019. The repairing of spalling of joints, cracks, rutting and other deficiencies on pavement that is over 20 years old will increase the Authority's pavements' useful life for years to come.

F. Outlook for FY 2019, continued

The Authority's Aircraft Rescue and Firefighting facility project will proceed with Phase II as Phase I (demolition and site preparation) was substantially completed towards the end of FY 2018. This project is scheduled for contract completion 455 days from commencement and would provide a new state-of-the-art, ARFF building to replace the existing 50+ year old facility that was built to military specifications. The new layout would allow the Authority to optimize this key facility in conformance with AC 150/5210-15A and maintain compliance with 14 CFR Part 139. Moreover, the design allows for a layout and floor plan that provides a smooth and unimpeded flow of personnel traffic to reach emergency response vehicles, enhancing the effectiveness and efficiency of emergency services personnel, providing timely response to protect life and property, and minimize the effects of an aircraft accident, incident, or catastrophic event occurring primarily on airport property.

Other capital projects focused on providing an exceptional airport experience for all users and stakeholders include: 1) expansion of the Security Screening Checkpoint area to facilitate passenger processing, alleviate congestion, and increase passenger "dwell" time that will hopefully translate into optimal revenue for the Authority; 2) the reconfiguration of the departure lobby ticketing and check-in counters and implementation of common use check-in facilities; 3) Reconfiguration of the public parking and commercial ground transportation areas that would be necessary to replace capacity lost from the improvements proposed for Route 10a and to enhance other ground transportation activities; 4) construction for the expansion of the Tiyan Parkway (Phase II) is already underway with demolition of existing facilities and environmental mitigation of the sites; 5) 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.

The Authority is also proceeding with other projects to add capacity and continue its development of Guam's very own aerotropolis, leveraging its urban, central location that's close to our island's commercial and industrial business community. Designs are expected to commence for the construction of two cargo aprons, connecting taxiway, and extension of GIAA's fuel hydrant into-plane fueling system to accommodate the increase in operations at its Integrated Air Cargo Facility. Demolition of various facilities (former military buildings and infrastructure) located on or around the Authority's North Tiyan Industrial Park and South Ramp properties is ongoing and expected to enhance the safety and security of the airport environs and mitigate potential liability from former military facilities that are in various states of disrepair or require environmental remediation. Moreover, it would provide opportunities for interested investors to explore development through public private partnerships with the Authority, with flexible financing models that would allow them 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.

In addition to property development, infrastructure improvements are also expected to get underway like the Authority's wastewater system which is over 30-years old and the construction of a major ponding basin off the Authority's Airport Operations Area to manage storm water runoff and drainage systems from its runways as well as the proposed Tiyan Parkway.

F. Outlook for FY 2019, continued

The Authority is also cognizant of its role as a strong, corporate citizen and is continuing its work to mitigate aircraft related noise levels from its operations for residents located in the highest noise areas surrounding its properties through its *Residential Sound Solution Program* that would provide specific improvements designed for each individual residence impacted. These include but not limited to: 1) replacement of windows and doors; and 2) upgrading and/or installing new air conditioning units for eligible homeowners.

The Authority is working closely with the Guam Waterworks Authority (GWA) to coordinate the following while preventing any violation of the Quitclaim deed for the transfer of properties from the federal government, its bond covenants under the 2013 Bond Issuance, and the grant assurances to the respective governmental agencies, mainly the FAA: 1) the transfer of property to allow GWA to proceed with its court ordered mandate for the installation of a two-million gallon tank to service their Tamuning-Tumon-Harmon customers; and 2) the installation of water infrastructure to include transmission and distribution lines and wastewater systems for residents located in the former Naval Air Station Hagatna Officer Housing area. This would provide the Authority the ability to cap and seal the existing infrastructure used for the transmission and distribution of water that is located beneath GIAA's primary runway without disrupting services to residences located in this area.

One of the other exciting projects that hope to launch in FY 2019 is the establishment of Guam's Spaceport. This would provide space exploration companies 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 has been in negotiations with Virgin Orbit for the establishment of a Spaceport on Guam as well as the FAA to obtain its license to operate as a spaceport, whose operating parameters are extremely different from that of a standard airport.

Air Service Development

The Authority's air service development initiatives has steadily maintained its passenger movements in spite of the downward trend of travelers from what was once Guam's largest O/D market of Japan. The "Team Guam" approach comprised of its management team along with industry partners from the Guam Visitors' Bureau and the Guam Economic Development Authority continues to bode well for the Authority as focus remains on recovering travelers from this key O/D market. The Authority's *Japan Only Incentive* and continuous networking with key decision makers and planners from the various airlines has helped to recover some capacity lost over the past year as a result of Delta's suspension of service and United and Japan Airline's decision to scale back their operations. A bulk of this recovery can be attributed to the success of South Korean carriers utilizing their 5th Freedom flights that allows them to pick up passengers from Japan for onward carriage to Guam.

F. Outlook for FY 2019, continued

In addition to the "Japan Only" incentive, the Authority will continue to foster its relationships with its South Korean airline partners to maintain travelers from what has now become Guam's largest O&D market for the past two years. Moreover, the Authority will continue to work relentlessly to pursue China carriers as more and more airlines and travelers from this market are becoming aware of Guam's attractiveness as a resort destination. Many of the issues constraining a majority of these carriers has to do with ETOPS (Extended-range Twin-engine Operational Performance Standards), which is an extensive and capital intensive certification that permits twin engine aircrafts to fly routes which may at a time, be 60 minutes flying time from the nearest airport that is suitable for emergency landing.

In December 2018, the International Air Transport Association (IATA) released their outlook for 2019 for the industry, projecting a tenth year of profitability and fifth consecutive year for airlines to deliver a return on capital investments. Total industry net profit is expected to grow from $32.3 billion in 2018 to $35.5 billion in 2019, reflecting a 9.9% increase year-over-year. Passenger activity is expected to reach 4.59 billion, an increase of 5.8% from the prior year's figures of 4.34 billion. Much of this growth is attributed to the lower cost of fuel due to growing inventories of oil (projected to be $65.00 per barrel in 2019 versus the $73.00 per barrel in 2018), and a steady 3.1% growth rate in worldwide domestic production.

The IATA report for the Asia-Pacific region projects net profits to exceed $10.4 billion, an increase of 8.3% from the $9.6 billion realized in 2018, with passenger activity expected to grow 7.5% year-over-year. Low Cost Carriers continue to proliferate the market, combined with strong market economies due to manufacturing in this region, have helped to increase the propensity for travel. This bodes well for the Authority as many of its airlines operate from the Asia-Pacific region. The Authority's enplanements for 2019 are projected to grow from 1.78 million enplanements in 2018 to 1.85 million in 2019.

Financial Results

The Authority will continue to maintain its prudent financial management in the executing of its fiduciary responsibilities and aspire to maintain its investment grade ratings which were recently upgraded by S&P to BBB+, and its current Baa2 from Moody's, along with its "stable outlook" from both rating agencies.

The Authority is committed to completing many of its large projects under its Capital Improvement Program that will help enhance the travel experience. The 3rd Floor International Arrivals corridor and the expansion of the TSA Security Checkpoint are high priority projects that will help accomplish this. In light of the continued improvements to Guam's only commercial airport and operational impacts it may have as the Authority commences critical aspects of these projects, CPE is expected rise slightly to $17.84 for 2019 from $17.21 in 2018.

F. Outlook for FY 2019, continued

DSC for the same period is expected to be 1.55x which is sufficient coverage over the 1.25x requirement under the 2013 Bond Covenants.

For 2019, the Authority remains committed to its "Vision Hulo" that will bring Guam's only commercial airport to a whole new level. Things continue to look up as the Authority manages its ongoing CIP projects and works to minimize operational disruptions and strives to maintain a superior level of airport services, safely, securely, efficiently, and effectively, while protecting its revenue streams in order to provide a competitive cost structure and conducive business environment for our airport users and tenants.

As the caretakers of Guam' key essential facility to its tourism-driven economy, the Authority is operationally sound, safe and secure. The Authority is proud that the A.B. Won Pat International Airport, Guam is how Guam comes home, and where Guam's future arrives. With more than $2.3 billion in direct, indirect or induced economic activity for our island community, the Authority's strategic approach in its fiduciary responsibilities will ensure they maintain and develop the infrastructure to support its operations, maintain its growth, and ensure it remains a regional leader in aviation and major player in the Asia/Pacific region.

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

Statements of Net Position

	September 30, 2018	2017 (restated)
Assets		
Current assets:		
Unrestricted assets:		
Cash *(Note 3)*	$ 630,783	$ 4,005,584
Passenger facility charge cash *(Note 3)*	2,601	80,045
Accounts receivable, trade, net of allowance for doubtful accounts of $1,455,681 at September 30, 2018 and 2017 (*Note 3*)	6,879,825	6,029,218
Accounts receivable from tenant *(Notes 3 and 9)*	129,600	129,600
Passenger facility charge receivables *(Note 3)*	1,420,524	1,047,906
Receivables from the United States Government	541,478	9,483,277
Current portion of note receivable from tenant, net allowance for doubtful accounts of $337,640	183,580	---
Inventory and other	567,236	516,775
Total unrestricted current assets	10,355,627	21,292,405
Restricted assets:		
Customs fees, cash *(Note 3)*	14	284,588
Customs fees, receivables *(Note 12)*	2,289,918	1,697,738
Total restricted current assets	2,289,932	1,982,326
Total current assets	12,645,559	23,274,731
Accounts receivable from tenant, unrestricted *(Notes 3 and 9)*	637,200	766,800
General Revenue Bonds *(Note 7)*:		
Investments and cash with trustees, unrestricted	85,449,399	68,117,428
Investments and cash with trustees, restricted	63,351,017	91,028,546
	148,800,416	159,145,974
Depreciable capital assets, net *(Notes 4, 11 and 13)*	288,953,643	309,959,829
Non-depreciable capital assets *(Notes 4, 11 and 13)*	143,588,374	108,778,760
Note receivable from tenant, net of current portion	---	183,580
Avigation easements *(Note 4)*	9,121,529	10,397,709
Deferred outflows of resources:		
Pension *(Note 8)*	3,794,526	3,877,874
Other postemployment benefits *(Note 8)*	4,323,359	5,275,020
Total deferred outflows of resources	8,117,885	9,152,894
Total assets and deferred outflows of resources	611,864,606	621,660,277

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, 2018	2017 (restated)
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable - trade	$ 3,866,222	$ 3,948,210
Accounts payable - construction	11,200,853	7,285,961
Other liabilities *(Note 11)*	4,651,520	3,501,573
Security deposits	2,434,277	3,683,562
Current portion of annual leave *(Note 10)*	433,858	408,245
Current portion of long-term loan payable to bank *(Notes 6 and 10)*	1,185,279	1,119,201
Total payable from unrestricted assets	23,772,009	19,946,752
Payable from restricted assets:		
Customs fees payable to Treasurer of Guam *(Note 12)*	2,448,259	2,520,952
General Revenue Bonds:		
Current installments *(Notes 5 and 10)*	12,010,000	11,430,000
Accrued interest	5,934,250	6,220,000
Total payable from restricted assets	20,392,509	20,170,952
Total current liabilities	44,164,518	40,117,704
Non-current liabilities:		
Payable from unrestricted assets:		
Accrued sick leave *(Notes 8 and 10)*	185,143	624,153
Long-term portion of annual leave *(Note 10)*	872,202	846,425
Long-term loan payable to bank *(Notes 6 and 10)*	5,999,752	7,185,031
Net pension liability *(Notes 8 and 10)*	32,118,582	36,921,046
Collective total other postemployment benefit liability *(Notes 8, 10 and 13)*	46,614,484	48,343,156
Payable from restricted assets:		
Long-term bonds payable, less current installments:		
General Revenue Bonds *(Notes 5 and 10)*	194,669,374	206,845,059
Total non-current liabilities	280,459,537	300,764,870
Total liabilities	324,624,055	340,882,574
Deferred inflows of resources:		
Deferred differences on refunding of 2013 bonds *(Note 5)*	172,676	237,873
Pension *(Note 8)*	1,464,826	296,651
Other postemployment benefits *(Note 8)*	4,114,765	---
Total deferred inflows of resources	5,752,267	534,524
Commitments and contingencies *(Notes 5, 6, 9 and 11)*		
Net position:		
Net investment in capital assets	227,626,465	202,319,134
Restricted for:		
Capital projects *(Notes 4 and 11)*	63,351,017	54,060,720
Debt service *(Notes 5 and 7)*	(5,934,250)	30,747,826
Unrestricted	(3,554,948)	(6,884,501)
Total net position	$ 281,488,284	$ 280,243,179

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, 2018	2017 (restated)
Revenues *(Note 5)* :		
Facilities and systems usage charges *(Note 3)*	$ 28,306,092	$ 29,005,148
Concession fees *(Notes 3 and 9)*	23,043,383	24,259,069
Rental income *(Note 9)*	12,008,558	11,618,961
Miscellaneous	5,571,796	5,133,844
	68,929,829	70,017,022
Operating costs and expenses:		
Contractual services *(Notes 9 and 11)*	27,672,687	23,996,751
Personnel services	13,884,736	18,267,920
Materials and supplies	1,187,924	1,365,208
Total operating costs and expenses	42,745,347	43,629,879
Income from operations before depreciation and amortization	26,184,482	26,387,143
Depreciation and amortization	(28,017,440)	(27,365,679)
Operating loss	(1,832,958)	(978,536)
Non-operating revenues (expenses):		
Passenger facility charge income	7,081,113	7,286,165
Interest income	2,077,360	1,269,029
Grants from the United States Government	413,100	421,580
Grant from Government of Guam - Office of Highway Safety (OHS)	11,368	28,968
Interest expense	(9,719,495)	(11,281,416)
Other expenses, net	(4,634,079)	(6,138,775)
Non-recurring expenses	(79,591)	---
Total non-operating expenses, net	(4,850,224)	(8,414,449)
Loss before capital grants	(6,683,182)	(9,392,985)
Capital grants from the United States Government	7,928,287	13,586,533
Increase in net positon	1,245,105	4,193,548
Net position at beginning of year *(Note 13)*	280,243,179	276,049,631
Net position at end of year	$ 281,488,284	$ 280,243,179

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, 2018	2017
Cash flows from operating activities:		
Cash received from customers	$ 66,367,357	$ 73,261,931
Cash paid to suppliers for goods and services	(24,257,044)	(24,430,654)
Cash paid to employees	(17,823,297)	(17,393,995)
Other operating cash receipts	11,368	28,968
Net cash provided by operating activities	24,298,384	31,466,250
Cash flows from investing activities:		
Proceeds from sale of (puchase of) investments	10,345,558	7,451,201
Investment interest income	2,077,360	1,269,029
Cash provided by investing activities	12,422,918	8,720,230
Cash flows from capital and related financing activities:		
Acquisition and construction of airport facilities and avigation easement	(39,067,166)	(29,690,018)
Principal payment on 2013 General Revenue Bonds	(11,660,882)	(11,139,252)
Interest paid on 2013 General Revenue Bonds	(12,154,250)	(12,712,250)
Principal payment on loan payable to bank	(1,119,201)	(1,056,808)
Interest paid on loan payable to bank	(448,303)	(510,697)
Passenger facility charge receipts	6,708,495	7,049,895
U.S. Government capital and operating grants	17,283,186	9,865,339
Net cash used in capital and related financing activities	(40,458,121)	(38,193,791)
Net (decrease) increase in cash	(3,736,819)	1,992,689
Cash at beginning of year	4,370,217	2,377,528
Cash at end of year	$ 633,398	$ 4,370,217
Consisting of:		
Unrestricted	$ 633,384	$ 4,085,629
Restricted - current	14	284,588
	$ 633,398	$ 4,370,217

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, 2018	2017 (restated)
Reconciliation of operating loss and other expenses to net cash provided by operating activities:		
Operating loss	$(1,832,958)	$(978,536)
Other and non-recurring expenses	(4,702,302)	(6,109,807)
	(6,535,260)	(7,088,343)
Adjustments to reconcile operating loss and other expenses to net cash provided by operating activities:		
Depreciation and amortization	28,017,440	27,365,679
Non-cash OPEB cost	3,766,228	4,184,099
Non-cash pension costs	32,426	3,865,953
Loss on disposal of assets	1,119,786	1,110,529
(Increase) decrease in assets:		
Accounts receivable	(1,442,787)	699,517
Inventory and other	(50,461)	(156,291)
Accounts receivable from tenant	129,600	129,600
Increase (decrease) in liabilities:		
Accounts payable	3,760,211	2,538,197
Other current liabilities	1,149,947	(83,904)
Security deposits and unearned income	(1,249,285)	2,363,771
Annual leave	51,390	28,092
Sick leave	(439,010)	299,049
Collective total OPEB liability	(428,474)	(470,529)
Net pension liability	(3,583,367)	(3,319,169)
Total adjustments	30,833,644	38,554,593
Net cash provided by operating activities	$ 24,298,384	$ 31,466,250

See accompanying notes.

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, 2018 and 2017 is expendable.

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.

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.

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.

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.

1. Organization and Summary of Accounting Policies, continued

Environmental Costs

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

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

Risk Management

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

Recently Adopted Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017. This Statement replaces the requirement of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The effect of implementing GASB Statement No. 75 on the Authority's net position, and the statement of revenues, expenses and changes in net position for the year ended September 30, 2017 have been restated as presented in Note 13.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

1. Organization and Summary of Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

In March 2016, GASB issued Statement No. 82, *Pension Issues.* This Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement did not have a material effect on the accompanying financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017.* This Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The implementation of this statement did not have a material effect on the accompanying financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement. GASB Statement No. 83 will be effective for the Authority for fiscal year ending September 30, 2019.

1. Organization and Summary of Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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 the Authority for fiscal year ending September 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for the Authority for fiscal year ending September 30, 2021.

In April 2018, GASB issued Statement no. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2021.

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

1. Organization and Summary of Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

The Authority is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the Authority's financial statements.

2. Subsequent Events

The Authority has evaluated subsequent events through March 26, 2019, which is also the date the financial statements were available to be issued.

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, 2018 and 2017, $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, 2018 and 2017, respectively. Receivables from the primary concessionaire totaled $851,036 and $562,940 at September 30, 2018 and 2017, respectively.

For the years ended September 30, 2018 and 2017, approximately 20% and 22%, respectively, of the Authority's total operating revenues, including passenger facility charge income, were derived from one airline customer. At September 30, 2018 and 2017, the receivable from this airline customer totaled $2,604,140 and $1,611,104, 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, 2018 is as follows:

	Beginning Balance October 1, 2017	Additions	Transfers and Deletions	Ending Balance September 30, 2018
Depreciable capital assets:				
Terminal building	$405,556,624	$ 137,123	$ 4,277,482	$409,971,229
Other buildings	117,390,799	176,995	1,025,645	118,593,439
Airfield area	172,515,848	12,514	105,318	172,633,680
Apron area	28,632,976	---	---	28,632,976
Terminal area	24,748,708	---	---	24,748,708
Support facilities	10,154,424	---	---	10,154,424
Total capital assets depreciated	758,999,379	326,632	5,408,445	764,734,456
Less accumulated depreciation	(449,039,550)	(26,741,263)	---	(475,780,813)
	$309,959,829	$(26,414,631)	$ 5,408,445	$288,953,643
Non-depreciable capital assets:				
Land	$ 61,832,623	$ ---	$ ---	$ 61,832,623
Construction-in-progress, restated	46,946,137	41,337,844	(6,528,230)	81,755,751
	$108,778,760	$41,337,844	$(6,528,230)	$143,588,374

4. Airport Facilities, continued

A summary of changes in capital assets for the year ended September 30, 2017 is as follows:

	Beginning Balance October 1, 2016	Additions (Restated)	Transfers and Deletions (Restated)	Ending Balance September 30, 2017 (Restated)
Depreciable capital assets:				
Terminal building	$368,902,231	$ 121,909	$ 36,532,484	$405,556,624
Other buildings	114,911,029	74,874	2,404,896	117,390,799
Airfield area	171,241,208	16,500	1,258,140	172,515,848
Apron area	28,632,976	---	---	28,632,976
Terminal area	24,748,708	---	---	24,748,708
Support facilities	10,078,590	72,634	3,200	10,154,424
Total capital assets depreciated	718,514,742	285,917	40,198,720	758,999,379
Less accumulated depreciation	(422,950,050)	(25,669,409)	(420,091)	(449,039,550)
	$295,564,692	$(25,383,492)	$ 39,778,629	$309,959,829
Non-depreciable capital assets:				
Land	$ 57,461,373	$ ---	$ 4,371,250	$ 61,832,623
Construction-in-progress, restated	61,553,254	31,073,383	(45,680,500)	46,946,137
	$119,014,627	$ 31,073,383	$(41,309,250)	$108,778,760

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, 2018 and 2017 included $404,785 and $130,149, respectively, of costs associated with the residential sound insulation program. At September 30, 2018 and 2017, the Authority's avigation easements (net of amortization) amounted to $9,121,529 and $10,397,709, respectively, and are shown as avigation easements in the accompanying statements of net position.

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, 2018 and 2017 totaled $2,597,308 and $1,669,281, 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 positon. In fiscal year 2001, the Navy paid the Authority $10,000,000 (see Note 11) and the Authority and the Government of Guam assumed the responsibility for the completion of certain environmental response actions on the property.

5. Long-Term Revenue Bonds Payable

Long-term revenue bonds payable at September 30, 2018 and 2017 consist of the following:

	2018	2017
General revenue bonds, Series 2013 (original issue of $247,335,000):		
Varying interest rates (3% - 6.375%) payable semiannually in October and April, principal payments due in varying annual installments with $12,010,000 due in October 2018	$204,705,000	$216,135,000
Less current installments	12,010,000	11,430,000
	192,695,000	204,705,000
Add net unamortized premium on bonds	1,974,374	2,140,059
	$194,669,374	$206,845,059

5. Long-Term Revenue Bonds Payable

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

Year ending September 30,	Principal	Interest	Total Debt Service
2019	$ 12,010,000	$ 11,568,250	$ 23,578,250
2020	12,605,000	10,952,875	23,557,875
2021	13,230,000	10,307,000	23,537,000
2022	13,885,000	9,629,125	23,514,125
2023	14,580,000	8,865,525	23,445,525
2024-2028	29,905,000	36,591,031	66,496,031
2029-2033	23,625,000	30,043,931	53,668,931
2034-2038	31,745,000	21,665,125	53,410,125
2039-2043	42,880,000	10,169,659	53,049,659
2044	10,240,000	318,372	10,558,372
	$204,705,000	$150,110,893	$354,815,893

On September 12, 2013, the Authority issued $247,335,000 General Revenue Bonds (collectively, the "2013 Bonds") as follows:

• 2013 Series A (Non-AMT)	$ 14,620,000
• 2013 Series B (Non-AMT)	33,675,000
• 2013 Series C (AMT)	199,040,000
	$247,335,000

The 2013 Bonds were obtained for the following:

a. current refunding of all of the Authority's outstanding Series 2003 Bonds;
b. financing additions, extensions and improvements to the Airport;
c. funding the 2013 Bond Reserve Account; and
d. paying expenses incurred in connection with the issuance of the 2013 Bonds.

The aggregate purchase price was $247,540,014 (the purchase price); representing the principal amount of the 2013 Bonds, plus a net original issue premium of $2,891,161 and less an underwriters' discount and insurance of $2,686,147. Interest on the 2013 Bonds will be payable on April 1 and October 1 of each year.

The 2013 Bonds bear interest at rates from 3% to 6.375% and mature on October 1, 2023 for the 2013 Series A (Non-AMT) and on October 1, 2043 for the 2013 Series B (Non-AMT) and 2013 Series C (AMT).

The 2013 Bonds are subject to redemption prior to maturity date.

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, 2018 and 2017, the unamortized balance of the difference in refunding totaled $172,676 and $237,873, respectively, as presented in the accompanying statements of net position.

The General Revenue Bonds, including interest, are payable from and are secured by a pledge of revenues under the indenture. The bonds are collateralized by a lien upon and pledge of revenues to be received by the Authority, the trustees and the depository. The Authority also engaged the Bond Issuer to secure a financial guaranty insurance policy, guaranteeing the scheduled payment of the principal and interest on the Bonds when due. Neither the payment of the principal on the bonds, nor any interest thereon, is a debt, liability or obligation of the Government of Guam.

The bond indentures include certain debt service and reserve requirements including the requirement that net revenues as defined in the bond indentures plus other available monies be equal to at least 125% of the annual debt service.

6. Long-Term Loan Payable to Bank

Long-term loan payable to bank at September 30, 2018 and 2017 consists of the following:

	2018	2017
First Hawaiian Bank, 5.75% interest rate fixed for 10 years, monthly payments of principal and interest in the amount of $130,625 starting on February 24, 2014, which will amortize the loan over a period of 10 years. The principal balance and all accrued interest will be due and payable on January 23, 2024. The loan is secured by a Security Agreement and a UCC-1 Financing Agreement. The loan is subject to U.S. Department of Agriculture's (USDA) written commitment to the bank to guaranty no less than 90% of the loan to the Authority	$7,185,031	$8,304,232
Less current installments	1,185,279	1,119,201
	$5,999,752	$7,185,031

6. Long-Term Loan Payable to Bank, continued

On June 27, 2012, the Authority entered into a loan agreement with First Hawaiian Bank (FHB) to finance the Authority's energy efficient upgrades. The loan amount is for $11.9 million. Repayments during the years ended September 30, 2018 and 2017 amounted to $1,119,201 and $1,056,808, respectively. The $11.9 million is subject to USDA's Loan Note Guarantee, which was executed by USDA on March 10, 2014.

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

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

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

Year ending September 30,	
2019	$1,185,279
2020	1,255,000
2021	1,329,000
2022	1,408,000
2023	1,491,000
2024	516,752
	$7,185,031

7. Investments and Cash with Trustees

The aforementioned 2013 bond indenture requires the establishment of special funds and accounts to be held and administered by the Authority's trustees for the accounting of the bond proceeds. At September 30, 2018 and 2017, investments and cash held by the trustees, in trust for the Authority, in these funds and accounts are as follows:

	2018	2017
Operations and Maintenance Reserve Fund	$ 12,381,104	$ 11,269,267
General Revenue Fund	5,595,985	10,531,669
Federal Grant Fund	7,651,781	7,623,789
Risk and Loss Management Reserve Fund	6,498,133	5,968,679
Capital Improvement Fund	45,460,649	26,394,437
Operations and Maintenance Fund	7,861,747	6,329,587
Total Unrestricted	85,449,399	68,117,428
Construction Fund	25,143,372	53,060,368
Bond Reserve Fund	19,212,257	19,290,211
Debt Service Fund	17,995,139	17,677,615
Renewal and Replacement Fund	1,000,249	1,000,352
Total Restricted	63,351,017	91,028,546
	$148,800,416	$159,145,974

At September 30, 2018 and 2017, investments and cash held by trustees are comprised of the following:

	2018	2017
Cash	$ 24,558,140	$ 24,779,174
Investments	124,242,276	134,366,800
	$148,800,416	$159,145,974

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.

7. Investments and Cash with Trustees, continued

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the Authority. In compliance with the bond indenture, the Authority minimized credit risk losses by limiting investments to the safest types of securities. Bank of Hawaii Investment Services Group, Bank of Guam, BG Investment & Insurance and Coast 360 Federal Credit Union manage the Federal Fund accounts investing in U.S. Treasury Securities, U.S. government – sponsored enterprises, Domestic Corporate Bonds, Money Market Funds and Certificate of Deposits insured by the Federal Deposit Insurance Corporation. The U.S. Treasury Securities are low risk investments as they are guaranteed by the full faith and credit of the U.S. government. While U.S. government – sponsored enterprises are not guaranteed, they are backed by the U.S. government and are recognized as low risk investments as well. In addition, certain funds held with the Bank of Guam-Trustee are invested in Government Obligations Funds through Federated Investments. Funds with co-trustee, U.S. Bank, are invested in First American Treasury Obligations Fund. All investment securities are within the requirement of the 2013 bond indentures.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Authority will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Based on negotiated trust and custody contracts, all of these investments were held in the Authority's name by the Authority's custodial financial institutions at September 30, 2018 and 2017.

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.

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, 2018		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Treasury securities	$ 9,976,138	$ 9,976,138	$ ---	$ ---
Exchange traded products (ETP) - Fidelity Investments	4,238,311	4,238,311	---	---
Federal Home Loan Mortgage Corporation (FHLMC)	2,973,962	---	2,973,962	---
Corporate bonds	1,924,416	---	1,924,416	---
Federal National Mortgage Association (FNMA)	1,860,148	---	1,860,148	---
Mutual funds - Fidelity Investments	1,179,093	1,179,093	---	---
Total investments by fair value level	22,152,068	$ 15,393,542	$ 6,758,526	$ ---
Investments measured at the net asset value (NAV)				
Money market funds (MMF) - Fidelity Investments	65,875,814			
MMF - US Bank, NA	18,010,488			
Investments measured at a cost based measure				
Guaranteed Investment Contracts (GIC) - US Bank, NA	9,549,194			
Time certificates of deposit (TCD)	8,654,712			
	$ 124,242,276			

		At September 30, 2017		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
FHLMC	$ 19,263,396	$ ---	$ 19,263,396	$ ---
FNMA	12,581,744	---	12,581,744	---
U.S. Treasury securities	9,622,205	9,622,205	---	---
ETP - Fidelity Investments	3,876,648	3,876,648	---	---
Corporate bonds	1,603,781	---	1,603,781	---
Mutual funds - Fidelity Investments	1,211,427	1,211,427	---	---
Total investments by fair value level	48,159,201	$ 14,710,280	$ 33,448,921	$ ---
Investments measured at NAV				
MMF - Fidelity Investments	43,392,285			
MMF - US Bank, NA	17,677,615			
Investments measured at a cost based measure				
TCD	15,588,505			
GIC - Natixis Funding Corp. (Natixis)	9,549,194			
	$ 134,366,800			

7. Investments and Cash with Trustees, continued

The Authority's credit quality distribution for debt securities at September 30, 2018 and 2017 is as follows:

At September 30, 2018			At September 30, 2017		
	Standard & Poor's/Moody's Credit Rating	Amount		Standard & Poor's/Moody's Credit Rating	Amount
FHLMC	Aaa/AAA	$ 2,973,962	FHLMC	AA/Aaaa	$ 19,263,396
FNMA	Aaa/AAA	1,860,148	FNMA	AA/Aaaa	12,581,744
Corporate bonds	Aaa/AAA	39,810	Corporate bonds	Aaa/AAA	66,169
Corporate bonds	Aa/AA	298,425	Corporate bonds	Aa/AA	290,804
Corporate bonds	A	886,000	Corporate bonds	A	903,187
Corporate bonds	Baa/BBB	200,396	Corporate bonds	Baa/BBB	343,621
Corporate bonds	Ba	499,785	GIC	Unrated	9,549,194
GIC	Unrated	9,549,194			

At September 30, 2018 and 2017, the Authority had the following investments and maturities:

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

	At September 30, 2017				
Investment type	Total	Less than 1	1 - 5	6 - 10	More than 10
MMF	$ 61,069,900	$ 61,069,900	$ ---	$ ---	$ ---
FHLMC	19,263,396	16,276,705	2,986,691	---	---
TCD	15,588,505	15,339,378	249,127	---	---
FNMA	12,581,744	10,692,366	1,889,378	---	---
U.S. Treasury securities	9,622,205	698,811	8,923,394	---	---
GIC	9,549,194	---	---	9,549,194	---
ETP	3,876,648	3,876,648	---	---	---
Corporate bonds	1,603,781	305,145	1,298,636	---	---
Mutual funds	1,211,427	1,211,427	---	---	---
	$ 134,366,800	$ 109,470,380	$ 15,347,226	$ 9,549,194	$ ---

8. Employee Benefits

General Pension Plan Descriptions

Defined Benefit Plan (DB Plan)

The DB Plan is a single-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. The Government of Guam Retirement Fund (GGRF) issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - www.ggrf.com.

The 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.

Contribution: 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 27.83% and 27.41%, respectively, for the years ended September 30, 2018 and 2017. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2018 and 2017.

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:	3.0%

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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, 2018, the remaining period is 12.58 years.

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 1.3 years. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Defined Benefit Plan (DB Plan), continued

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:

Asset Class	Target Asset Allocation	Expected Nominal Return	Component Return
U.S. Equities (large cap)	29%	8.78%	2.55%
U.S. Equities (small cap)	7%	9.45%	0.66%
Non-U.S. Equities	13%	9.15%	1.19%
Non-U.S. Equities (small cap)	4%	9.15%	0.37%
Non-U.S. Equities (emerging markets)	1%	10.75%	0.11%
U.S. Fixed Income (aggregate)	25%	4.85%	1.21%
Risk Parity	8%	8.36%	0.67%
High Yield Bonds	8%	7.35%	0.59%
Global Real Estate (REITs)	5%	8.71%	0.44%
Expected average return for one year			7.79%
Expected geometric mean (30 years)			7.17%

The assumption used in the actuarial valuation (7.0%) is slightly lower than the expected geometric average return over the next 30 years. If the investments do not return the expected results, future pension expense will increase.

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

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

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

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

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.

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:	3.0%
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, 2018, the remaining period is 12.58 years.

Discount Rate: The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 3.64% and 3.058% for the years ended September 30, 2018 and 2017, 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.

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

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.

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:	3.0%
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.

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participant, continued

Amortization method:	Level percentage of payroll, closed.
Remaining amortization period:	At September 30, 2018, the remaining period is 12.58 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.

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, 2018	September 30, 2017
Measurement Date:	September 30, 2017	September 30, 2016
Valuation Date:	September 30, 2016	September 30, 2015

Net pension liability as of September 30, 2018 and 2017 for the aforementioned plans are as follows:

	2018	2017
DB Plan	$28,053,913	$33,532,175
Ad hoc COLA/SA Plan for DB Participants	2,698,911	2,086,977
Ad hoc COLA Plan for DCRS Participants	1,365,758	1,301,894
	$32,118,582	$36,921,046

8. Employee Benefits, continued

General Pension Plan Descriptions, continued

Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

Proportionate share of net pension liabilities at September 30, 2018 and 2017 for the aforementioned plans are as follows:

	2018	2017
DB Plan	2.46%	2.45%
Ad hoc COLA/SA Plan for DB Participants	0.94%	0.91%
Ad hoc COLA Plan for DCRS Participants	2.19%	2.11%

Pension expense for the years ended September 30, 2018 and 2017 for the aforementioned Plans are as follows:

	2018	2017
DB Plan	$(937,980)	$3,494,481
Ad hoc COLA/SA Plan for DB Participants	847,148	261,258
Ad hoc COLA Plan for DCRS Participants	123,258	110,214
	$ 32,426	$3,865,953

8. Employee Benefits, continued

Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued

As of September 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2018					
	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ ---	$ ---	$ ---	$ ---	$ 62,054	$(10,609)
Net difference between projected and actual earnings on pension plan investments	---	(1,363,384)	---	---	---	---
Authority contributions subsequent to the measurement date	2,242,956	---	226,046	---	38,000	---
Changes in assumption	---	---	---	---	137,937	(90,833)
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	18,990	---	14,406	---	85,415	---
	$ 2,261,946	$(1,363,384)	$ 240,452	$ ---	$ 323,406	$(101,442)

	September 30, 2017					
	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	$ ---	$(110,466)	$ ---	$ ---	$ 25,130	$(10,795)
Net difference between projected and actual earnings on pension plan investments	---	(175,390)	---	---	---	---
Authority contributions subsequent to the measurement date	2,966,912	---	260,018	---	---	---
Changes in assumption	95,475	---	2,153	---	142,179	---
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	309,741	---	25,258	---	51,008	---
	$ 3,372,128	$(285,856)	$ 287,429	$ ---	$ 218,317	$(10,795)

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, 2018 and 2017, resulting from the Authority's employer contributions for the following plans are as follows:

	2018	2017
DB Plan	$2,261,946	$3,372,128
Ad hoc COLA/SA Plan for DB Participants	240,452	287,592
Ad hoc COLA Plan for DCRS Participants	323,406	218,154
	$2,825,804	$3,877,874

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	$(181,428)
2020	(76,535)
2021	(578,536)
2022	(389,509)
2023	4,641
Thereafter	75,343
	$(1,146,024)

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 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	$34,818,177	$28,053,913	$22,227,921

Ad Hoc COLA/SA for DB Participants

	1% Decrease 2.64%	Current Discount Rate 3.64%	1% Increase 4.64%
Collective total pension liability	$2,944,773	$2,698,911	$2,485,112

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	Current Discount	1% Increase
	2.64%	3.64%	4.64%
Collective total pension liability	$1,553,011	$1,365,758	$1,206,220

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 5% 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, 2018 and 2017 are determined using the same rates as the DB plan. Of the amount contributed by the employer, only 5% 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, 2018 and 2017, contributions made and amounts accrued under the DCRS amounted to $301,524 and $400,775, 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, 2018 and 2017, the Authority has accrued an estimated liability of $185,143 and $624,153, respectively. However, this amount is an estimate and actual payout could differ from those estimates.

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:	3.0%
Healthcare cost trend rate:	8% of 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years.
Health retiree mortality rates:	RP-2000 Combined Health Mortality Table, set forward 4 years and 1 year for males and females, respectively.
Disabled retiree mortality rates:	RP-2000 Disabled Mortality Table for males and females.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.63% and 3.058% for the years ended September 30, 2018 and 2017, 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.

8. Employee Benefits, continued

Other Post-employment benefit (OPEB) plan, continued

OPEB Plan Description, continued

Expected Remaining Service Lives: Under GASB Statement No. 75, gains and losses that are deferred and amortized over future periods are presented as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total pension liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining services lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period was calculated at 6.02 years. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Total OPEB liability at the fiscal years presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2018	September 30, 2017
Measurement Date:	September 30, 2017	September 30, 2016
Valuation Date:	September 30, 2016	September 30, 2015

Collective total OPEB liability as of September 30, 2018 and 2017 is $46,614,484 and $48,343,156, respectively.

Proportionate share of collective total OPEB liability at September 30, 2018 and 2017 is 1.92% and 1.91%, respectively.

OPEB expense for the years ended September 30, 2018 and 2017 is $3,766,228 and $4,184,099, respectively.

8. Employee Benefits, continued

OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, continued

As of September 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority contributions subsequent to the measurement date	$ 440,077	$ ---	$ 445,487	$ ---
Changes in assumptions	3,466,056	(3,994,495)	4,308,520	---
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	417,226	(120,270)	521,013	---
	$ 4,323,359	$(4,114,765)	$ 5,275,020	$ ---

Deferred outflows of resources at September 30, 2018 and 2017, resulting from the Authority's employer contributions totaled $440,077 and $445,487, 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:

2019	$363,443
2020	66,487
2021	66,487
2022	66,487
2023	(778,472)
Thereafter	(15,915)
	$(231,483)

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 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Total OPEB Liability	$55,412,312	$46,614,484	$39,577,835

8. Employee Benefits, continued

OPEB Liabilities, OPEB expense and deferred outflows resources and deferred inflows of resources related to OPEB, continued

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

	1% Decrease 3.50%	Current Rate 4.50%	1% Increase 5.50%
Total OPEB Liability	$38,270,482	$46,614,484	$57,505,771

Defined Benefit 1.75 Retirement System (DB 1.75 Plan) and the Guam Retirement Security Plan (GRSP)

In September 2016, Public Law 33-186 was enacted to create two new retirement plans; the DB 1.75 Plan and the GRSP. Beginning January 2018, the DB 1.75 Plan and GRSP are to become the primary retirement systems for all new hires.

The DB 1.75 Plan is open for participation by certain existing employees, new employees and reemployed employees who would otherwise participate in the DCRS or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan 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 GRSP will be the primary retirement plan for new employees beginning on January 1, 2018, unless the employee elects to participate in the DCRS within 60 days of the employee's hire date. Certain existing and reemployed employees are also provided limited opportunity to participate in the GRSP. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary. The employer makes matching contributions at the same rate of 6.2% of the employee's base salary.

The Authority anticipates that the initial measurement date of the pension liability related to the plans as allowed under GASB Statement No. 68 to be 1 year in arrears of the September 30, 2017 fiscal year end of the Government of Guam. For the year ended September 30, 2018 contributions made to the DB 1.75 plan of $968,722 is reported as a component of deferred outflows in the accompanying 2018 statement of net position.

9. Leases

Lotte Duty Free Guam, LLC (Lotte)

In March 2013, Lotte was selected as the primary concessionaire for the airport terminal for a ten year term commencing July 2013.

In accordance with the concession agreement, rental income from Lotte shall be the greater of the following:

1. $15,160,000 (the "minimum guarantee") for the main and other rental space, and $240,000 for future use of the arrival retail space plus 1% of other gross revenues, or;

2. The sum of the on-site gross revenues multiplied by 30.1% and 25.0%, respectively, for the main and arrival retail space and arrival retail space, respectively.

During the lease term, the minimum guarantee rent shall be paid monthly in advance in equal installments on the first day of each month.

For the years ended September 30, 2018 and 2017, the Authority recorded rental income under the Lotte concession agreement totaling $14,781,573 and $15,209,115, respectively, for use of the main rental space.

Mediation Term Sheet and Addendum

On April 26, 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 Concession 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 also agreed, among other things, 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.

9. Leases, continued

Lotte Duty Free Guam, LLC (Lotte), continued

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 and Lotte agreed on a formula to calculate additional direct impacts (closure of space) as a result of the Third Floor Project: $1.07 x number of square feet of impacted space (closure of space) x number of days of impact (closure). The Authority and Lotte also agreed that the impact amount would be deducted from Lotte's rent obligation in equal amounts each month for a 24-month period following completion of the construction or a lesser time period if construction is delayed. The Authority also agreed to waive the payment of Percentage Rent, if any, for the period of December 2018 through May 2019.

Future minimum lease income under the Lotte Concession Agreement as of September 30, 2018 is as follows:

Year ending September 30,	
2019	$13,059,996
2020	13,934,999
2021	15,160,000
2022	15,160,000
2023	12,633,333
Total future minimum lease income	$69,948,328

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, 2014, monthly rent increased to $23,850.

9. Leases, continued

Pac Air Properties, LLC, continued

For the years ended September 30, 2018 and 2017, the Authority accrued rental income totaling $286,200 and is included as a component of rental income in the accompanying statements of revenues, expenses and changes in net position. At September 30, 2018 and 2017, accrued rental receivable totaled $766,800 and $896,400, respectively, and is shown as accounts receivable from tenant in the accompanying statement of net position.

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

Year ending September 30,	
2019	$ 288,450
2020	313,200
2021	313,200
2022	313,200
2023	313,200
2024 - 2028	1,698,300
2029 - 2033	1,860,300
2034 - 2038	2,044,350
2039 - 2043	2,255,400
2044 - 2048	2,493,450
2049 - 2053	2,736,450
2054 - 2058	3,001,500
2059	559,350
Total future minimum lease income	$18,190,350

The Authority has a lease-back agreement, expiring in 2020, with Pac Air to lease a total of 32,500 square feet of space in the completed facility on the leased premises.

Rent expense for the years ended September 30, 2018 and 2017 totals $1,058,000 and is included under contractual services in the accompanying statements of revenues, expenses and changes in net position.

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

Year ending September 30,	
2019	$1,058,400
2020	923,400
Total future minimum rent expense	$1,981,800

9. Leases, continued

Pac Air Properties, LLC, continued

On December 2010, the Authority entered into a sublease agreement with the Government of Guam's Customs and Quarantine Agency (GovGuam CQA) to lease 25,000 square feet of the aforementioned 32,500 square feet rental space for 5 years, with annual rental income of $1,024,200. Effective October 1, 2015, the sublease agreement was continued for an additional 5 years with annual rental of $780,000. Rental income for the years ended September 30, 2018 and 2017 amounted to $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,	
2019	$ 780,000
2020	780,000
Total future minimum lease income	$1,560,000

Other Leases

The Authority has lease agreements with scheduled air carriers, various concessionaires and other airport users. The agreements provide the lessees with the use of the airport's system facilities, equipment and services. The signatory airline operating agreements and terminal building leases expired on September 30, 2016 and 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 ranging from September 2019 through September 2035.

Future minimum lease payments on other noncancellable operating leases (excluding the Lotte and Pac Air and GovGuam CQA lease described above) as of September 30, 2018 are as follows:

Year ending September 30,	
2019	$ 2,538,000
2020	2,298,000
2021	1,802,000
2022	1,391,000
2023	271,000
2024 - 2028	1,310,000
2029 - 2033	1,018,000
2034 - 2038	855,000
2039 - 2040	174,000
Total future minimum lease income	$11,657,000

10. Long-Term Liabilities

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

	Outstanding October 1, 2017	Increases	Decreases	Outstanding September 30, 2018	Current	Noncurrent
Accrued sick leave	$ 624,153	$ ---	$ 439,010	$ 185,143	$ ---	$ 185,143
Accrued annual leave	1,254,670	1,121,782	1,070,392	1,306,060	433,858	872,202
Loan payable to bank	8,304,232	---	1,119,201	7,185,031	1,185,279	5,999,752
Net pension liability	36,921,046	---	4,802,464	32,118,582	---	32,118,582
Collective total other postemployment benefit liability	48,343,156	---	1,728,672	46,614,484	---	46,614,484
2013 General revenue bonds	218,275,059	---	11,595,685	206,679,374	12,010,000	194,669,374
	$313,722,316	$ 1,21,782	$20,755,424	$294,088,674	$13,629,137	$280,459,537

A summary of changes in long-term liabilities during fiscal year 2017 is as follows:

	Outstanding October 1, 2016 restated	Increases restated	Decreases	Outstanding September 30, 2017 restated	Current	Noncurrent restated
Accrued sick leave	$ 325,104	$ 299,049	$ ---	$ 624,153	$ ---	$ 624,153
Accrued annual leave	1,226,682	859,225	831,237	1,254,670	408,245	846,425
Loan payable to bank	9,361,040	---	1,056,808	8,304,232	1,119,201	7,185,031
Net pension liability	36,887,866	3,341,887	3,308,707	36,921,046	---	36,921,046
Collective total other postemployment benefit liability	39,763,407	8,988,590	408,841	48,343,156	---	48,343,156
2013 General revenue bonds	229,339,997	---	11,064,938	218,275,059	11,430,000	206,845,059
	$316,904,096	$13,488,751	$16,670,531	$313,722,316	$12,957,446	$300,764,870

11. Commitments and Contingencies

Environmental Response Actions

As discussed in Note 4, in September 2000, the Navy transferred 1,417 acres of property to the Authority and Government of Guam. In fiscal year 2001, the Navy paid the Authority $10,000,000 as a lump sum but not in accordance to the payment provisions of the Quitclaim Deed from the Navy. In exchange for the payment, the Authority and the Government of Guam apparently assumed obligations for specific environmental response actions addressing groundwater contamination even if the cost of the response actions exceeds the $10 million received from the Navy. The Authority's management has assisted in preparing a draft Decision Document (DD) for Operable Unit 3 (OU3) which is the groundwater located under the former Naval Air Station. The DD presents the selected remedy for OU3, which calls for extraction and treatment at Well NAS-1 and future wells, if necessary, and natural attenuation. The draft DD identifies the Navy as the lead agency for the cleanup with support agencies that include the Authority, Guam Environmental Protection Agency (GEPA) and the US EPA. The Navy, the Authority and GEPA are the authorized signatories for the DD.

The Authority's responsibilities under the Remedial Action are limited to groundwater sampling and testing as currently performed. A new task is for the Authority to conduct a 5 year review to ensure the remedial action continues to be protective of human health and the environment. In the near future, the ongoing sampling and testing requirements will be reduced or completely eliminated. The granular activated carbon (GAC) treatment provided under the Authority's new water system satisfies the GAC treatment component of future wells meeting the selected remedy. No further obligation of the Authority is required under the draft DD.

The long-term obligation to operate and maintain the facilities built under the remedial construction as well as the required sampling will be handled through a water system commercial agreement. As of September 30, 2014, the Authority estimated, based upon a weighted average probability of future cash outflows, that its pollution remediation obligations as called for under GASB No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* totaled $800,929. At September 30, 2018 and 2017, future pollution remediation and monitoring costs totaling $159,315 and $348,742, 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.

11. Commitments and Contingencies, continued

Commitments

The Authority has commitments totaling approximately $57.4 million under several construction contracts at September 30, 2018.

In addition, the Authority has commitments under other various contracts totaling approximately $10.2 million at September 30, 2018.

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, 2018 and 2017, the balances in the Renewal and Replacement Fund and Risk and Loss Management Reserve Fund are $1 million and $5 million, respectively. The Authority has a catastrophic insurance policy with coverage up to $5 million as a supplement to the self-insurance.

Government of Guam General Fund

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

Notwithstanding the requirements of 5 G.C.A. § 22421, the Authority is prohibited by its 2013 General Revenue Bond Indentures (2013 Indentures) and federal law from transferring any funds from its operating surplus to the General Fund. Any diversion of the Authority's revenues under any formula will place the Authority in breach of the 2013 Indentures and will jeopardize ongoing and future federal funding, possibly even subjecting the Authority to millions of dollars in federal civil penalties. Accordingly, the Authority cannot transfer any of its revenues to the General Fund as directed by 5 G.C.A. § 22421 and no liability has been recorded for this contingency as of September 30, 2018 and 2017. This position has been supported by legal determinations, past and present.

During the year ended September 30, 2018, 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.

11. Commitments and Contingencies, continued

Water System Infrastructure Upgrade

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

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

A new water system commercial agreement is being negotiated between the Authority and GWA to account for operational and maintenance omissions and deficiencies and to improve repair and replacement procedures. The new agreement is expected to be executed during 2019. Other matters include real estate issues that will allow GWA the ability to expand the capacity of the water reservoirs. The Authority expects to support GWA's proposal expansion.

Litigation

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

DFS Guam L.P. Specialty Retail Protest Litigation

This matter involves three actions, which have been consolidated, relating to three protests lodged by DFS Guam L.P. ("DFS") relating to the Specialty Retail Concession RFP ("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 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, 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 RFP and voiding and setting aside the Lotte Agreement. The Court also stayed enforcement of the Amended Judgment pending the Authority's appeal (the "Stay Order").

11. Commitments and Contingencies, continued

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

With the stay in place pending appeal, the Lotte Agreement remains in place. The Authority has already appealed the Amended Judgment, and DFS filed a cross-appeal. Briefing on appeal is ongoing and oral arguments will be heard on July 9, 2019. The Authority intends to vigorously defend its denial of DFS's protests before the Supreme Court of Guam.

DFS Guam L.P. (DFS) Arbitration

The Authority and its former concessionaire DFS are involved with ongoing disputes related to the former concessionaire's Concession Agreement with the Authority that had expired in 2013.

In 2014, the matter was submitted to arbitration. In 2016, the arbitration panel awarded DFS $1.9 million in damages plus interest, costs, and attorney's fees. The Authority is seeking to vacate and DFS is seeking to confirm the arbitration award in the Superior Court of Guam. A separate but related action arising from this dispute has been filed by DFS 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.

On December 26, 2018, the Superior Court of Guam confirmed the arbitration award ("Confirmation Order"), however, no Judgment has been issued by the court. On January 17, 2019, counsel received a demand from DFS counsel that the Authority immediately pay $2,237,522 due under the arbitration award plus interest to date. On January 18, 2019, the Authority appealed the Confirmation Order. On February 7, 2019, the Supreme Court found that it did not have jurisdiction over the Authority's appeal because a judgment had not been entered in the case and ordered the Authority to promptly notify the Court when judgment had been entered. The Authority is still waiting for the Superior Court to enter the judgment. While the Authority believes that it will be successful on appeal when such appeal is heard, the range of loss in the event it must pay any judgment on the arbitration award is $2,960,000 to $3,900,000. The Authority will continue to vigorously defend against all claims but has recorded a provision for loss amounting to approximately $3.1 million and $1.9 million as of September 31, 2018 and 2017, respectively, 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. 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. Judgment was issued on January 10, 2018, and the Authority appealed. Oral Argument was held October 12, 2018. The Supreme Court of Guam's opinion is pending.

11. Commitments and Contingencies, continued

DFS Sunshine Act Lawsuit, continued

On January 25, 2018, DFS filed a Motion for Attorneys' Fees and Costs seeking recovery of $259,602 in attorneys' fees and costs. Following briefing and a hearing, on September 12, 2018, the court denied DFS's motion ("Attorneys' Fees Order"). On October 9, 2018, DFS appealed. Briefing will be complete by March, and oral argument is currently scheduled for July 9, 2019.

The Authority intends to vigorously defend its position on appeal before the Supreme Court of Guam on the Attorneys' Fees Order. The Authority's range of loss in the event DFS is successful in its appeal of the Attorneys' Fees Order is $200,000 to $300,000. DFS may further seek attorney's fees and costs for the appeal, if successful, which may range between $100,000 to $200,000.

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, 2018 and 2017, $262,000 remained as unpaid obligation for inactive employees.

12. Customs, Agriculture and Quarantine Inspection Services Charge

During the years ended September 30, 2018 and 2017, 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, 2018 and 2017, fees assessed to air carriers related to the aforementioned arrangement totaled approximately $12.7 million and $13.3 million, respectively. For the years ended September 30, 2018 and 2017, remittances to the Treasurer of Guam related to the aforementioned arrangement totaled approximately $9.5 million and $10.2 million, respectively. For the years ended September 30, 2018 and 2017, the Authority offset $3.3 million and $3.6 million, respectively of customs fee payable with amounts owed from GovGuam CQA for its various lease agreements with the Authority.

At September 30, 2018 and 2017, the Authority recorded customs fees payable to the Treasurer of Guam totaling $2,448,259 and $2,520,952, respectively, for the above charges, of which $2,289,918 and $1,697,738, 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.

13. Restatement

The Authority restated its previously issued financial statements to (1) account for the effects of implementing GASB No. 75 and (2) correct for close-outs of construction-in-progress projects. The Authority's net position as of October 1, 2016 and the Authority's statement of revenues, expenses and changes in net position for the year ended September 30, 2017 have been restated to reflect this correction as follows:

	As Previously Reported	Adjustment	As Restated
As of October 1, 2016:			
Deferred outflow of resources:			
OPEB	$ ---	$ 408,841	$ 408,841
Collective total other postemployment benefits liability	$ ---	$39,763,407	$ 39,763,407
Net position	$315,404,197	$(39,354,566)	$276,049,631
As of September 30, 2017:			
Depreciable capital assets, net	$ 308,157,186	$1,802,643	$ 309,959,829
Non-depreciable capital assets	$ 112,227,168	$(3,448,408)	$ 108,778,760
Deferred outflows of resources:			
OPEB	$ ---	$ 5,275,020	$ 5,275,020
Collective total other postemployment benefit liability	$ ---	$(48,343,156)	$(48,343,156)
Net position	$ 324,957,080	$(44,713,901)	$280,243,179
For the year ended September 30, 2017:			
Miscellaneous revenues	$ 5,185,865	$(52,021)	$ 5,133,844
Depreciation and amortization	$ 26,830,443	$ 535,236	$ 27,365,679
Other expenses, net	$ 1,366,697	$ 4,772,078	$ 6,138,775
Change in net position	$ 9,552,883	$(5,359,335)	$ 4,193,548

Required Supplementary Information

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

Schedule 1
Required Supplementary Information
Schedule of the Authority's Proportionate Share of Net Pension Liability

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	2.46%	2.45%	2.35%	2.45%	2.32%
Authority's proportionate share of the net pension liability	$ 28,053,913	$ 33,532,175	$ 32,241,435	$ 30,570,481	$ 30,256,332
Authority's covered payroll	$ 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	211.67%	255.82%	241.44%	239.05%	234.85%
Plan fiduciary net position as a percentage of total pension liability	60.63%	54.62%	52.32%	56.60%	53.94%

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

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

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

Defined Benefit Plan
(Unaudited)

Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributions	$ 2,242,956	$ 2,966,912	$ 3,060,666	$ 3,178,277	$ 3,297,500	$ 2,857,688	$ 2,405,802	$ 2,372,679	$ 2,241,150	$ 1,928,192
Contribution in relation to the contractually required contribution	2,242,956	2,966,912	3,060,666	3,178,277	3,297,500	2,857,688	2,405,802	2,372,679	2,241,150	1,928,192
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 9,747,686	$ 13,253,631	$ 13,107,529	$ 13,353,696	$ 12,788,348	$ 12,883,180	$ 10,356,825	$ 10,295,803	$ 9,728,359	$ 9,773,657
Contribution as a percentage of the Authority's covered payroll	23.01%	22.39%	23.35%	23.80%	25.79%	22.18%	23.23%	23.05%	23.04%	19.73%

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

Schedule 3
Required Supplementary Information
Schedule of the Authority's Proportionate Share of Collective Total Pension Liability

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

Last 10 Fiscal Years*

	2018	2017	2016
Authority's proportionate share of the collective total pension liability	$ 2,698,911	$ 2,086,977	$ 2,034,619
Authority's proportion of the collective total pension liability	0.94%	0.91%	0.86%

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

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

Schedule 4
Required Supplementary Information
Schedule of the Authority's Contributions

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

Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributions	$ 226,046	$ 224,018	$ 218,041	$ 214,041	$ 198,678	$ 150,712	$ 168,354	$ 133,356	$ 163,798	$ 142,608
Contribution in relation to the contractually required contribution	226,046	224,018	218,041	214,041	198,678	150,712	168,354	133,356	163,798	142,608
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

Schedule 5
Required Supplementary Information
Schedule of the Authority's Proportionate Share of Collective Total Pension Liability

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	2018	2017	2016
Authority's proportionate share of the collective total pension liability	$ 1,365,758	$ 1,301,894	$ 1,043,706
Authority's proportion of the collective total pension liability	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
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Schedule 6
Required Supplementary Information
Schedule of the Authority's Contributions

Ad Hoc COLA Plan for DCRS Participants
(Unaudited)

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013
Contractually required contributions	$ 38,000	$ 36,000	$ 32,000	$ 26,000	$ 23,400	$ 11,000
Contribution in relation to the contractually required contribution	38,000	36,000	32,000	26,000	23,400	11,000
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -

*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 7
Required Supplementary Information
Schedule of the Authority's Proportionate Share of Collective Total Other Postemployment Benefit Liability
(Unaudited)

Last 10 Fiscal Years*

	2018	2017
Authority's proportion of the total collective other postemployment benefit liability	1.92%	1.91%
Authority's proportionate share of the collective total other postemployment benefit liability	$ 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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributions	$ 440,077	$ 445,487	$ 408,841	$ 362,761	$ 256,563	$ 261,312	$ 301,527	$ 338,697	$ 222,514	$ 226,306
Contribution in relation to the contractually required contribution	440,077	445,487	408,841	362,761	256,563	261,312	301,527	338,697	222,514	226,306
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Note to Required Supplementary Information
(Unaudited)

Changes of Assumptions – Pension Plans

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

Schedule 9
Facilities and Systems Usage Charges

	2018	2017
Passenger loading bridge usage charge	$ 6,895,713	$ 6,152,234
Departure facilities	6,559,487	7,262,796
Arrival facilities	6,438,454	7,217,137
Landing	3,855,235	3,449,352
Immigration	2,143,829	2,561,033
Public apron	1,599,047	1,624,347
Utility recovery and other fees	587,975	517,710
Fuel flowage	226,352	220,539
	$ 28,306,092	$ 29,005,148

Schedule 10
Concession Fees

	2018	2017
General merchandise	$ 14,814,811	$ 15,262,095
Ground transportation	3,509,509	4,308,545
Car rental	1,533,183	1,493,833
Food and beverage	1,021,361	1,076,606
In-flight catering	844,661	871,110
Advertising	422,895	376,494
Money exchange	361,334	416,576
Other	286,196	200,118
Parking lot	249,433	253,692
	$ 23,043,383	$ 24,259,069

Schedule 11
Rental Income

	2018	2017
Operating space:		
- Non-airline	$ 4,500,606	$ 4,132,588
- Airline	3,839,952	3,829,763
Building and maintenance shop rentals	1,745,336	1,776,860
Other	1,650,350	1,621,698
Cargo rentals	272,314	258,052
	$ 12,008,558	$ 11,618,961

Schedule 12
Contractual Services

	2018	2017
Professional services	$ 8,446,397	$ 7,227,844
Repairs and maintenance	7,397,088	7,304,789
Power	6,092,037	5,135,682
Miscellaneous	3,339,953	1,981,049
Advertising and promotions	858,310	858,447
Utilities and telephone	683,985	577,557
Insurance	545,588	639,610
Travel/training and certifications	309,329	271,773
	$ 27,672,687	$ 23,996,751

Schedule 13
Personnel Services

	2018	2017
Salaries and wages	$ 13,099,014	$ 13,253,631
Insurance	917,954	1,038,783
Retirement contributions	(132,232)	3,975,506
	$ 13,884,736	$ 18,267,920
Full-time employee count in September	209	207

Schedule 14
Materials and Supplies

	2018	2017
Equipment and vehicle maintenance and supplies	$ 401,927	$ 471,611
Office and security supplies	230,454	318,563
Electrical and plumbing	219,974	230,532
Miscellaneous	207,726	222,197
Building maintenance and supplies	127,843	122,305
	$ 1,187,924	$ 1,365,208

Antonio B. Won Pat International Airport Authority, Guam
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Year ended September 30, 2018

Schedule 15
Insurance Coverage

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

Antonio B. Won Pat International Airport Authority, Guam
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Years ended September 30, 2018 and 2017

Schedule 16
Debit Service Computation

	Year ended September 30, 2018	Year ended September 30, 2017
Net revenues		
Revenues:		
Operating revenues	$ 68,929,829	$ 70,017,022
Non-operating revenues: passenger facility charge income	7,081,113	7,286,165
Non-operating revenues: interest income	2,077,360	1,269,029
Non-operating revenues: grants from the United States Government	413,100	421,580
Non-operating revenues: grants from the Government of Guam	11,368	28,968
Capital grants from the United States	7,928,287	13,586,533
Less:		
Investment income from CIF related funds	(1,016,377)	(522,565)
Capital grants from the United States	(7,928,287)	(13,586,533)
Operation and maintenance expense	(42,745,347)	(43,629,879)
Other bookkeeping entries-noncash pension cost	33,396	3,865,953
Other bookkeeping entries-noncash OPEB cost	3,766,228	4,184,099
Actual contribution to GGRF	(3,475,724)	(3,226,930)
Actual contribution to DOA	(440,077)	(445,487)
Miscellaneous expenses	(4,635,049)	(6,138,775)
	$ 29,999,820	33,109,180
Other available monies (lesser of amount in capital improvement fund or 25% of debt service fund)		
Capital improvement fund	$ 45,460,649	$ 26,394,437
25% of debt service	$ 5,969,625	$ 5,967,500
	$ 5,969,625	$ 5,967,500
Aggregate annual debt service		
Sum of interest due during the year	$ 11,868,500	$ 12,440,000
Sum of principal due during the year	12,010,000	11,430,000
	$ 23,878,500	$ 23,870,000
Debt service ratio		
Net revenues	$ 29,999,820	$ 33,109,180
Other available monies	5,969,625	5,967,500
	$ 35,969,445	$ 39,076,680
Divided by: aggregate annual debt service	$ 23,878,500	$ 23,870,000
	1.51	1.64

Antonio B. Won Pat International Airport Authority, Guam
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Years ended September 30, 2018 and 2017

Schedule 17
Employee Data

Department	Employees (a)		Personnel Services (b)	
	2018	2017	2018	2017
Board	0	1	$ 21,411	$ 54,022
Administration	35 (c)	29 (c)	1,962,717	3,490,634
Property Management	11	11	761,859	847,073
Accounting	11	11	763,670	961,682
Engineering	10	11	745,743	883,289
Operations	22	23	1,529,520	1,751,162
Properties & Facilities Maintenance	37	39	2,105,923	2,685,222
Airport Police	47	47	3,338,500	4,178,941
Aircraft Rescue Fire Fighting	36	35	2,655,393	3,415,895
Total	209	207	$ 13,884,736	$ 18,267,920

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:

	2018	2017
Executive management	4	3
Administrative support	12	11
Personnel	5	3
Marketing	3	3
Procurement	6	5
Management information system	5	4
	35	29

VISION HULÓ

The only direction is UP!

A.B. WON PAT INTERNATIONAL AIRPORT GUAM
P.O. BOX 8770 • Tamuning, Guam 96931
T (671) 646-0300 • F (671) 646-8823
www.guamairport.com

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