



Financial Highlights

A.B. Won Pat International Airport Authority, Guam Financial Audit Fiscal Year 2024

June 13, 2025

The Antonio B. Won Pat International Airport Authority, Guam (Airport) received unmodified (clean) opinions on its Fiscal Year (FY) ended September 30, 2024 financial statements and report on compliance for each major federal program, and report on compliance for the passenger facility charge (PFC) program from independent auditors Ernst & Young LLP (EY). EY also opined that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole. EY did not identify significant deficiencies or material weaknesses in the Airport's internal control over compliance with major federal programs. There were no reported questioned costs related to its federal awards. EY identified one significant deficiency in its report on compliance for the PFC program related to airline carrier's untimely remittance of PFC and one significant deficiency in internal control over financial reporting related to proper recording of funds received from the Government of Guam Customs and Quarantine Agency (GCQA).

The Airport closed FY 2024 with a net position of \$229.8 million (M), down from \$249.7M in FY 2023 despite challenges from Typhoon Mawar and broader economic factors. This decline is primarily driven by necessary recovery expenditures, highlighting the Airport's proactive approach to mitigating disaster impacts while ensuring long-term sustainability. In FY 2024, the Airport experienced a decrease in net position (net loss) of \$19.8M, due to total expenses of \$98.9M exceeding total revenues of \$79.1M.

Total Revenues Increased by \$18.1M

In FY 2024, the Airport generated total revenues of \$79.1M, marking an \$18.1M increase from the total revenues of \$61.0M in FY 2023. This growth was driven by a 21.1% rise in passenger activity, signaling a steady recovery from the COVID-19 pandemic, Typhoon Mawar, and other global economic challenges. Total operating revenues amounted to \$62.5M, representing 79% of the Airport's total revenues, while the remaining 21% was derived from non-operating revenues totaling \$16.6M.

Operating Revenues Increased by \$15.5M

Total operating revenues rose to \$62.5M in FY 2024 from \$47.0M in FY 2023, highlighting renewed travel demand. The increase in operating revenues is primarily due to significant increases in facilities and system usage charges, concession fees, and miscellaneous revenues, but was offset by the decrease in aviation fuel tax (AFT) revenues. The Airport experienced a significant increase in facilities and system usage charges by \$8.6M, reaching \$32.6M in FY 2024 due to significant increases in landing fees, departure fees, arrival fees, passenger loading bridge, and immigration fees. Concession fees skyrocketed by 300.1% to \$12.9M, driven by stronger passenger spending and the normalization of lease adjustments following the implementation of Government Accounting Standard Board Statement No. 87, *Leases*, in FY 2023. Miscellaneous revenues increased by \$2.1M from \$1.9M in FY 2023 to \$4.0M in FY 2024 mainly due to the reversal of the allowance for AFT of \$2.5M that was recorded in FY 2023.

These increases in operating revenues were offset by the decrease in AFT revenues by \$5.2M, from \$6.8M in FY 2023 to \$1.6M in FY 2024. The AFT revenues recorded in FY 2023 reflected the recording of prior year AFT, net of the allowance for AFT. The AFT revenues of \$1.6M in FY 2024

reflects the current year AFT, which was billed to the Government of Guam and which Governor Lourdes Leon Guerrero had directed the Division of Accounts and Bureau of Budget and Management Research (BBMR) to pay prospectively. The Airport recorded a related AFT Receivable in FY2024 of \$9.7M, which represents the AFT outstanding as of FY 2024.

Non-Operating Revenues Increased by \$2.5M

In FY 2024, non-operating revenues increased to \$16.5M from \$14.0M in FY 2023. This is primarily due to increases in passenger facility charges by \$589K in line with passenger activity growth, federal operating grants by \$1.4M reflecting post-typhoon recovery assistance, and interest income by \$954 thousand (K) due to strong investor demand for the \$67.8M in bonds issued in September 2024. The Airport received \$5.0M in State and Local Fiscal Recovery Funds under the American Rescue Plan (ARP) from the Government of Guam. For FY 2024, roughly \$2.7M was charged to cover Typhoon Mawar costs. The Airport recorded an amount due to grantor of \$2.3M under payable from restricted assets as of FY 2024, which was related to the ARP funds received.

Total Expenses Increased by \$6.0M

Total expenses reached \$98.9M in FY 2024, marking a \$6.0M increase from \$92.9M in FY 2023 primarily due to higher operating and non-recurring expenses. Depreciation and amortization expenses, representing 33.7% of total expenses, rose by 1.5% to \$33.4M, in line with asset lifecycle use.

Operating Expenses Increased by \$4.7M

Operating expenses accounted for 52.3% of total expenses, increasing to \$51.7M in FY 2024 compared to \$47.0M in FY 2023. The rise in operating expenses by \$4.7M is primarily due to increases in personnel services by \$3.3M to meet increased operational demands, contractual services by \$1.1M due to expanded operations and recovery efforts, and material and supplies by \$327K due to higher recovery-related costs.

Non-operating Expenses Increased by \$791K

Non-operating expenses, representing 14% of total expenses, increased to \$13.8M in FY 2024 compared to \$13.0M in FY 2023. The increase in non-operating expenses by \$791K is primarily due to non-recurring expenses nearly doubling, from \$1.0M in FY 2023 to \$3.2M in FY 2024, which is largely driven by one-time typhoon recovery costs. This was offset by the decreases in other non-operating expenses by \$483K and interest expense by \$865K in FY 2024.

Memorandum of Understanding with GCQA

The Airport, as the lessor, and GCQA, as the lessee, entered into a Memorandum of Understanding (MOU) in FY 2024 with the intention of facilitating the improvements to be made to the space leased to GCQA by the Airport. The MOU resulted in GCQA transferring \$2.5M to the Airport. This amount is recorded under restricted current assets and reflects the amount received under the MOU less 5% for administrative work, which is recorded under unrestricted cash in the FY 2024 financial statements. Work on the project is expected to begin in FY 2025.

Cost per Enplaned Passenger Increased and Positive Debt Service Coverage

The Airport's Cost per Enplaned Passenger (CPE) increased by 17.6%, rising from \$26.23 in the previous year to \$30.85 in FY 2024. The Debt Service Coverage (DSC) ratio, mandated by the bond covenants in 2019, 2021, and 2023 to meet a minimum of 1.25x, stood at 1.69x in FY 2024, which reflects the Airport's prudent financial management and ability to meet its debt obligations. While the CPE increase was notable due to post-typhoon recovery expenses, the positive DSC performance demonstrates the effectiveness of the Airport's financial strategies.

In July 2024, Moody's Investors Service reaffirmed the Airport's Baa2 Investment Grade Rating with a Stable Outlook for its senior revenue bonds. This rating underscores the Airport's financial stability, bolstered by a rise in enplanement activity following the aftermath of Typhoon Mawar.

In September 2024, the Airport achieved a significant milestone with a landmark bond refinancing transaction that issued \$67.8M in bonds through a standalone tender offer. This initiative, with the support of the Guam Economic Development Authority and the BBMR, achieved a remarkable True Interest Cost of 4.27%. The overwhelming demand for the bonds, which were oversubscribed by 9.3 times, enabled the Airport to secure lower borrowing rates, maximize financial savings and enhance its fiscal health, reflecting strong investor confidence in its financial management. The bonds were subsequently closed on October 9, 2024.

Financial Relief Programs and Primary Concessionaire Agreement

Financial relief was provided to concessionaires from October 1, 2021 to September 30, 2022, waiving Minimum Annual Guarantees (MAG) but requiring the higher percentage of gross sales or terminal building rent based on occupied space. The MAG relief was extended for concessionaries from October 1, 2022 to July 31, 2023, and further financial relief was granted to the Airport's primary concessionaire, Lotte Duty Free Guam, LLC (Lotte).

The Airport has a concession agreement with Lotte as the primary concessionaire for the airport terminal. Currently, Lotte is operating under the extended term that commenced on July 21, 2023 and expires on July 20, 2026. During the extended term, Lotte agrees to pay the (1) annual concession fee of \$2,640,000 paid annually in advance on July 21 of each year and (2) a per enplaned passenger fee based on the total number of enplaned passengers from July 21, 2023 to July 20, 2026, on a cumulative basis, which shall be paid in arrears on a monthly basis. Consistent with the Airport's financial relief programs, the Airport extended financial relief to Lotte, who agreed to pay the Airport based on the adjusted per enplaned passenger fee schedule for the period from July 21, 2024 to the end of the extended term. Lotte's operations will continue until the contract expires in July 2026, after which the Airport plans to issue a competitive solicitation for the concession in FY 2026.

DFS Guam L.P. Specialty Retail Protest Litigation and Holdover Dispute

The DFS Guam L.P. Specialty Retail Protest Litigation involved three actions, which have been consolidated relating to the Specialty Retail Concession RFP and denied by the Airport. This litigation was settled as part of a global settlement that included the Tort Action and DFS Holdover Dispute. The Global Settlement included the parties' agreement that nothing in the Global Settlement is to be construed as an admission of liability or wrongdoing by any of the parties. In accordance with the Global Settlement, an Order dismissing the Specialty Retail Protest Litigation and the Tort Action with prejudice was filed on January 2, 2025.

The DFS Guam L.P. Holdover Dispute is a consolidated action relating to DFS' concession agreement with the Airport that expired in 2013. As of December 2023, the Airport has paid approximately \$3.0M towards the judgment. The DFS Holdover Dispute was also settled as part of the Global Settlement. In accordance with the Global Settlement, an Order dismissing the DFS Holdover Dispute with prejudice was filed on January 2, 2025. Under the Global Settlement, the Airport paid DFS \$2.4M in settlement of the DFS Holdover Dispute. The Airport recorded a provision for loss of \$2.4M as of September 30, 2024 as a component of other current liabilities.

Recovery from Typhoon Mawar and Rebound from COVID-19 Pandemic

FY 2024 was a crucial year for the Airport as it continued the challenges of recovering from Typhoon Mawar in 2023 and the slower-than-expected rebound from the COVID-19 pandemic. The Airport

worked closely with partners to ensure the airport was prepared to takeoff as travel demand gradually returned. In FY 2024, the Airport serviced 2.0M passenger movements, up 21.1% compared to 1.6M passenger movements in FY 2023. Enplanements (originating and transit passengers) accounted for 53.3% of total passenger movements equating to 1.1M passengers, and arriving passengers accounted for 46.7% of total passenger movements equating to 922K passengers. Additionally, the Airport managed 31K aircraft movements in FY 2024 compared to 28K movements in the prior year. Airline partners transported over 11K metric tons of cargo and 15K metric tons of mail in FY 2024.

Capital Improvement Projects Undertaken and Ongoing

The devastation caused by Typhoon Mawar and the resulting decrease in activity provided the Airport with a valuable opportunity to address and accelerate key infrastructure projects while enhancing the Airport's capabilities. Notable projects undertaken during the recovery period through its Capital Improvement Program included: Aircraft Rescue and Fire Fighting Facility, Master Plan Update, Apron and Taxiway Rehabilitation, Replacement of Terminal Roofing System, Part 150 Noise Study Update, Cargo Apron/Fuel System Extension, and Air Operations Area Main Access Gate. These projects are primarily funded through federal grants. The Airport will continue the progress of its capital improvement projects in FY 2024 into FY 2025.

Report on Internal Control Over Financial Reporting

EY identified one significant deficiency in internal control over financial reporting. As of September 30, 2024, the Airport received \$2.5M from GCQA, which was initially recorded as both a restricted asset and liability. Based on the memorandum of agreement, the Airport has administrative involvement because it is responsible for making certain improvements to the premises, which include the construction and renovation, and also handle all the design, engineering, procurement, and installation relating to the improvements. Thus, the Airport should record the funds received from GCQA as part of non-operating income. Management is taking steps to ensure proper classification and recognition of similar transactions going forward.

Report on Compliance for the PFC Program

In its report on compliance for the PFC program, EY identified a significant deficiency regarding the late monthly remittances of the PFC to the Airport from three out of five air carriers tested, resulting in the Airport's noncompliance with the Code of Federal Regulations. This has been a repeat finding noted in the FYs 2021, 2022, and 2023 audits. Despite the Airport's continued efforts to communicate the due dates of monthly PFCs, certain air carriers continued to make late payments. EY recommended that the Airport continue to send a written reminder notice to air carriers.

Management Letter

A separate management letter cited two other matters related to the following:

1. **Financial Statement Close Process:** The Accounting team posted numerous post-closing adjusting journal entries after the September 30, 2024 trial balance was provided to the audit team, which resulted to delays on providing some audit schedules and supporting documents.
2. **Reconciliation of Net Position:** During the audit, EY noted negative restricted net position related to debt service mainly due to improper classification and recording of the restricted asset components, which were initially recorded as unrestricted asset. Airport management made adjustments to correct the classification of the unrestricted assets.

For more details, refer to the Airport's FY 2024 Financial Statements, Reports on Compliance for Each Major Federal Program and Internal Control Over Financial Reporting, Report on Compliance for the Passenger Facility Charge Program, Management Letter, and The Auditor's Communication With Those Charged With Governance at www.opaguam.org and www.guamairport.com.