



*Financial Statements and  
Other Financial Information*

**Antonio B. Won Pat International Airport  
Authority, Guam**

*Years ended September 30, 2011 and 2010  
with Report of Independent Auditors*

Antonio B. Won Pat International Airport Authority, Guam

Financial Statements and  
Other Financial Information

Years ended September 30, 2011 and 2010

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## Report of Independent Auditors

The Board of Directors  
Antonio B. Won Pat International Airport Authority, Guam

We have audited the accompanying statements of net assets of the Antonio B. Won Pat International Airport Authority, Guam (the Authority), a component unit of the Government of Guam, as of September 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Antonio B. Won Pat International Airport Authority, Guam as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2012, on our consideration of the Antonio B. Won Pat International Airport Authority, Guam'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3 to 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These schedules are the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ernst + Young LLP*

January 25, 2012

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis

Year ended September 30, 2011

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, 2011. 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 "Terminal").

The Authority is a self-sustaining autonomous government agency, and operates and maintains the Terminal. The Terminal provides facilities for commuter and domestic overseas flights, and international flights for destinations in Micronesia, Asia and Australia. It is authorized to impose and collect rates and charges for the Terminal's services and properties to generate revenues to fund operating expenses. The 2003 Airport Bonds issued by the Authority, federal grants and airport revenues funded the construction of the Airport Terminal Building and the Capital Improvement Program.

### **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 Authority has implemented GASB 20 and elected not to apply Financial Accounting Standards Board ("FASB") Statements and Interpretations issued after November 30, 1989.

The Statement of Revenues, Expenses and Changes in Net Assets replaces the Statement of Revenues, Expenses and Changes in Retained Earnings. 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.

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### **C. Authority Activities and Highlights**

The aviation industry continues to evolve on a global scale as airlines transition into new business models, finding ways to streamline their operations, cut costs, increase revenue streams and struggle to remain profitable in a turbulent business environment that continues to be impacted by global economic conditions and highly volatile price of fuel. According to a report by the International Air Transport Association (IATA) for the quarter ended September 30, 2011, the results of these new management strategies are expected to yield a post-tax profit of \$3.0 billion for the period. This sustained profitability signals a positive change for an industry that has been struggling over the last decade.

Closer to home, we have seen the merger of Northwest and Delta Airlines, completed a year ago, result in more flights but with smaller aircraft on the Japan Guam air link. The mega-merger of Continental and United Airlines is continuing with an increase in capacity but through the use of older wide-body aircraft. Japan Airlines serves Guam with one daily narrow body flight and, although, they remain in bankruptcy, there are indicators of financial recovery. The Authority did welcome new air service during FY'11 with a new locally based airline, Fly Guam; Eva Airlines from Taiwan and two new air cargo operators, Federal Express and UPS.

The Authority's passenger activity is normally reflective of the industry's current trends as IATA projects a 5.9% passenger growth in 2011. However, the earthquake, tsunami and nuclear reactor events that devastated Japan in March 2011 had an adverse affect on traffic from Guam's main origin/destination market. The first half of FY 2011 started off on a positive note with enplanement activity reflecting 6.1% growth year-on-year from October through March equaled to approximately 750,298 enplanements in 2011 versus 707,066 in 2010. The Authority experienced a double-digit decrease for the 3<sup>rd</sup> quarter as a result of the Japan disaster before ramping again during the 4<sup>th</sup> quarter based on increased activity from other markets. For the year enplanements declined 1.2%, to 1,439,424 in 2011 from 1,456,875 in 2010. However, when compared to the FY 2011 budget forecast of 1,412,898 enplanements, there is an uptick of 1.8%.

For FY 2012, the Authority forecasts a sustained level of enplanements to offset any downward influences resulting from uncertainties in fuel costs and the global economy. While the Authority has taken a conservative approach to FY 2012's activity and budget, optimism for significant growth is high. The strength of foreign currency against the U.S. dollar from the primary visitor markets will sustain leisure travel. Promotions for seasonal and holiday travel will increase charters and extra section flights. Parole authority for visa waiver travel from Russia is an added plus and, if extended to China that would be a game changer.

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### C. Authority Activities and Highlights, continued

Activities for the Authority for the years ended September 30, 2011, 2010, and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	2011 % Increase (Decrease) from 2010
Major revenue sources:				
Landing fees (a)	\$ 2,567,747	\$2,643,417	\$ 1,218,711	-2.9%
Terminal Lease	10,618,530	9,414,797	9,338,787	12.8%
Concessions and parking	<u>14,762,957</u>	<u>13,887,161</u>	<u>12,943,555</u>	6.3%
Total	<u>\$27,949,234</u>	<u>\$25,945,375</u>	<u>\$23,501,053</u>	7.7%
Passenger (enplanements) activity:				
Signatory airlines	1,416,873	1,446,896	1,281,018	-2.1%
Other airlines	<u>22,551</u>	<u>9,979</u>	<u>24,191</u>	126.0%
Total enplanements	<u>1,439,424</u>	<u>1,456,875</u>	<u>1,305,209</u>	-1.2%
Aircraft operations	<u>46,030</u>	<u>44,426</u>	<u>40,276</u>	3.6%
Aircraft landed weights (000)	<u>2,787,086</u>	<u>3,169,573</u>	<u>3,017,815</u>	-12.1%
O & D passengers	2,548,446	2,570,240	2,322,422	-0.8%
Transfer passengers	<u>175,181</u>	<u>183,430</u>	<u>146,457</u>	-4.5%
Total passengers	<u>2,723,627</u>	<u>2,753,670</u>	<u>2,468,879</u>	-1.1%

The Authority continues to effectively administer its fiduciary responsibilities in the midst of a dynamic, yet sluggish, airline industry. By proactively managing its operating and maintenance (O&M) expenses and focusing on diversifying and enhancing its revenue streams, the Authority maintains its commitment in being a low cost international airport.

For FY 2011, the Authority's efforts have culminated in a cost per enplaned passenger (CPE) of \$16.95, a minimal increase versus the \$16.90 CPE for FY 2010 given the decline in enplanement activity for the year. This was reflective of management's resolve to maintain the line on expenses and in-line with the Authority's budgeted projection of \$16.90. Over 90% of the Authority's enplanements are international from Origin & Destination markets.

In addition to maintaining a competitive cost structure, the Authority has managed to maintain sufficient debt service coverage of 1.53 versus the 1.25 debt service requirements of the 2003 Bond Covenants. Moreover, the Authority continued to maintain a superior and reliable level of airport services in the facilitation of passengers and cargo to their destinations safely, efficiently, and effectively, key success factors paramount to the Authority's financial success, while promoting commerce and connectivity to our neighboring islands and countries in the region.

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### **C. Authority Activities and Highlights, continued**

The following airlines served the Authority with scheduled or charter overseas passenger flights for FY 2011:

United/Continental, Delta Airlines, China Airlines, Japan Airlines, Korean Airlines, Philippine Airlines, Jin Air, Eva Air, Fly Guam, Skymark and Aerospace Concepts who operate a business jet service. The principal commuter airlines providing inter-island passenger flight service to and from Guam and the Commonwealth of Northern Mariana Islands (CNMI) are Freedom Air, Micronesian Aviation Systems, and Cape Air. Cargo operators include Asia Pacific Airlines, Federal Express and UPS with the latter two inaugurating operations during FY 2011.

### **D. Financial Operation Highlights**

For FY 2011, total revenues amounted to \$65.5 million, a decrease of 9.2% year-over-year versus FY 2010 amount of \$72.2 million. Operating income which amounted to \$49.2 million accounted for 75.1% of all revenues in 2011. The remaining 24.9% or \$16.3 million of revenue was comprised of non-operating income that included interest income, passenger facility charges, and grants from the U.S. government and transfers from the government of Guam.

The Authority remains diligent in pursuing its revenue enhancement initiatives and diversification of its non-airline revenue streams as evidence by its non-aeronautical income, which includes operating and non-operating income, and accounting for 61.2% of total revenues collected in 2011.

#### ***Operational Revenues***

In spite of the overall decline in revenue in 2011, the \$49.2 million in operational revenues collected in FY 2011 represented a 4.4% increase versus the \$47.1 million recorded in FY 2010. This increase in operating revenues may be attributed to the increase in non-aeronautical revenue streams that accounted for 48.4% of the Authority's operating revenues in 2011 versus the 45.4% recorded in 2010. Concession fees amounting to \$14.7 million, increased by 6.3% year-on-year, versus the \$13.8 million in 2010. General merchandise revenue rose 13.7% reflecting an average spend per enplaned passenger of approximately \$5.08 in 2011 versus \$4.37 in 2010. Rental income increased by 12.8% for the same period with non-airline rentals reflecting an increase of 37.3%, up \$3.75 million versus \$2.73 million. The addition of the Integrated Air Cargo Facility, the CTSI Logistics Air Cargo Warehouse and the MSA Logistics Multi-modal facility helped contribute to the increase in rental revenue for 2011.



# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### **D. Financial Operation Highlights, continued**

#### ***Non-Operating Revenues***

Non-operating revenues decreased dramatically in 2011 by 34.8% versus 2010, \$16.3 million versus \$25 million respectively. The large disparity in 2011 can be attributed to the decrease in grant receipts from the U.S. government which amounted to \$9.5 million versus the \$18 million received in 2010. This decrease is a result of open grants from prior years that were delayed with substantial drawdowns made and received in FY 2010 and prior years. In addition, passenger activity had a direct correlation to the decrease in passenger facility charges, which declined 1.6% in 2011 amounting to \$5.57 million versus the \$5.67 million collected in 2010.

#### ***Operational Expenses***

For FY 2011, operational expenses which equaled \$33.7 million, reflects an 8.5% year-over-year increase from FY 2010's amount of \$31.1 million. The 8.5% increase may be attributed to the 6.6% and 7.8% increase in contractual services and personnel services, respectively. An increase in personnel services was attributed to the adjustment in salaries for certified, technical and professional positions for the Authority.

#### ***Review of Notable Events in FY 2011***

FY 2011 started off on a promising note with traffic activity up 5.1% from October 2010 through March 2011. The catastrophic events that devastated Japan adversely impacted the Authority's passenger activity resulting in a 2.1% decrease in passenger activity year-over-year.

The Authority worked with its airline partners to maintain the Japan flights and the corresponding seat capacity. The only flight that was temporarily suspended was from Sendai since its airport was in the tsunami's path.

The Authority's relentless pursuit of its air service development initiatives along with the Guam Visitors Bureau (GVB) has resulted in new service by Eva Air into the Guam market from Taiwan and increased charter operations from Japan, Taiwan, China and South Korea. This key management strategy minimized the impact of the events that affected traffic from Japan, Guam's key origin/destination market.

The Authority embarked upon several improvements or upgrades to its air terminal facility that has been in operation for 15 years. Some of the projects that are in progress or have been initiated include the refurbishment of the passenger loading bridges, upgrades and renovations to the air condition systems, restroom upgrades, new carpeting and new luggage cart acquisitions.

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### **D. Financial Operation Highlights, continued**

#### **Review of Notable Events in FY 2011, continued**

Airfield improvements completed include the 1000-foot extensions to the ends of Runway 6L and 24R for a total length of 12,000 feet that will eventually allow for long-haul flights. The relocation of a military fuel line was part of this project. Two additional projects for this runway are pending in order to make it operational.

The Authority has been working closely with local and federal government stakeholders on a mutually acceptable alignment for the Tiyan Parkway which will also mitigate the impact of the closure of Central Avenue due to runway operations. Consensus has been reached on the Parkway alignment and an action plan is being formulated.

Another key project that is underway is the Authority's Master Plan Update that will allow the Authority to assess and address current and future needs. In addition, a Geographic Information System survey and Electronic Airport Layout Plan pilot project has been initiated that will provide key data and information for Guam's airport and serve as a precursor to the FAA's NextGen project for air navigation.

The Authority has also developed an energy management program that resulted in a performance contract to change out key mechanical and lighting systems that would save energy through efficiencies. Financing is being pursued on the basis that the performance guarantees will result in power cost savings that will pay for the loan payments with no impact to the budget.

The Authority has also substantially completed the new airport water system and negotiated an operating agreement with the Guam Waterworks Authority. Permitting with Guam EPA is in process and full operation is expected during FY 2012. The new water system will meet the airport's demand into the future; would accelerate the remediation of groundwater contamination and; fully resolve fire suppression issues at all airport facilities.

In addition to the infrastructure and other regulatory requirements, The Authority is continuously looking for new and innovative activities to offer to the traveling public and has added Sony and Bestseller to our concessionaire mix and recently opened the new Sagan Bisita lounge operated by Delta Airlines and LSG Lufthansa Guam, Inc., which features world-class accommodations. Additionally, United/Continental announced they will be making upgrades and investments of approximately \$1 million to its President's Club lounge.

Despite a year-on-year dip in enplanements, the Authority still met its financial plan with a reasonable CPE of \$16.95 and achieved a debt service coverage of 1.53 versus the 1.25 debt service covenant under the 2003 Bond Covenant. Moreover, the Authority was able to increase its net assets by \$1.33 million for FY 2011.

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### D. Financial Operation Highlights, continued

#### Review of Notable Events in FY 2011, continued

In light of the Authority's fiscal responsibility, credit rating agencies Standard & Poor's and Moody's Investor Services reaffirmed the Authority's bond rating of BBB and Baa2 respectively with stable outlooks during FY 2011. The credit ratings are critical to the financial success of the Authority and will ensure the Authority is positioned to take advantage of any opportunities that may reduce interest rates on future financing or realize potential savings opportunities through a refinancing of the 2003 Bond issuance.

The Authority continues to adhere to strict internal controls. An independent audit reflected minor infractions on process and procedures implemented by the Authority. In 2011, questioned costs estimated to be at approximately \$50,000 was identified based on the construction costs of interconnections as noted by an independent engineer during the review of the construction and design of the Authority's water system based on the grant applications submitted to the FAA.

#### Financial Position Summary

A condensed summary of the Authority's statements of net assets at September 30, 2011, 2010 and 2009 is shown below:

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	2011 % Increase (Decrease) from <u>2010</u>
Current assets:				
Unrestricted current assets	\$ 8,276,116	\$ 12,164,255	\$ 12,788,685	-32.0%
Restricted current assets	1,779,158	2,036,006	1,200,886	-12.6%
Non-current assets:				
Unrestricted assets	21,577,162	21,972,719	24,205,868	-1.8%
Restricted assets	32,671,610	32,415,162	32,203,768	0.8%
Capital assets	405,381,493	413,838,006	406,146,241	-2.0%
Avigation easements	12,984,992	13,994,340	15,003,688	-7.2%
Deferred bond issue costs	<u>5,448,094</u>	<u>6,256,409</u>	<u>7,107,208</u>	-12.9%
Total assets	<u>\$488,118,625</u>	<u>\$502,676,897</u>	<u>\$498,656,344</u>	-2.9%
<u>LIABILITIES</u>				
Current liabilities:				
Payable from unrestricted assets	\$ 9,380,778	\$ 15,926,850	\$ 13,744,688	-41.1%
Payable from restricted assets	14,941,518	15,050,224	14,211,456	-0.7%
Long term liabilities	<u>156,647,265</u>	<u>165,882,773</u>	<u>174,546,014</u>	-5.6%
Total	<u>180,969,561</u>	<u>196,859,847</u>	<u>202,502,158</u>	-8.1%
<u>NET ASSETS</u>				
Invested in capital assets – net of related debt	258,910,440	260,440,321	246,248,138	-0.6%
Restricted	28,604,250	28,025,944	27,428,198	2.1%
Unrestricted	<u>19,634,374</u>	<u>17,350,785</u>	<u>22,477,850</u>	13.2%
Total	<u>307,149,064</u>	<u>305,817,050</u>	<u>296,154,186</u>	0.4%
Total liabilities and net assets	<u>\$488,118,625</u>	<u>\$502,676,897</u>	<u>\$498,656,344</u>	-2.9%

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### **D. Financial Operation Highlights, continued**

#### **Financial Position Summary, continued**

The Authority's investments in capital assets net of related debt make up 84.3 % of its net assets. These capital assets are used to provide services to its passengers and visitors to the Authority's Airport terminal. Although invested capital assets are reported net of related debt, the resources required to repay this debt come from revenues received annually from operations as specified in the 2003 Airport Bonds Indenture.

The implementation of the Authority's revenue enhancement initiatives; effective administration of its fiduciary responsibilities; and tenacious pursuit of federal funding sources has resulted in a net increase in net assets of \$1.33 million for FY 2011. More importantly, the Authority was able to maintain sufficient coverage to meet the debt service requirements of the 2003 Bond Covenants, without sacrificing the superior and reliable level of airport services or compromising the safety and security of the traveling public.

#### **Airline Signatory Rates and Charges**

The Authority entered into an airport operating and lease agreement with signatory airlines to provide those airlines with the nonexclusive right to use the airport facilities, equipment improvements, and services, in addition to occupying certain exclusive use premises and facilities. In exchange for more favorable rates, the signatory airlines are guarantors of the Authority's financial position. These leases became effective October 1, 2006 and will remain in effect through September 30, 2011 and have since been extended for another 5 years.

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### D. Financial Operation Highlights, continued

#### Revenues

A summary of revenues for the years ended September 30, 2011, 2010 and 2009 and the amount and percentage of change in relation to prior year amounts is as follows:

	2011	2011 % of Total	2010	2010 % of Total	2009	2009 % of Total	2011 % Increase (Decrease) from 2010
<b>Operating:</b>							
Facilities and systems usage charges:							
Arrival facilities	\$ 6,159,123	9.4%	\$ 6,109,684	8.5%	\$ 5,387,772	6.4%	0.8%
Departure facilities	6,046,101	9.2%	6,225,493	8.6%	5,326,503	6.3%	-2.9%
Immigration	2,210,176	3.4%	2,236,345	3.1%	1,937,884	2.3%	-1.2%
Public apron	1,394,782	2.1%	1,515,323	2.1%	1,804,241	2.1%	-8.0%
Passenger loading bridge	3,366,254	5.1%	3,547,283	4.9%	1,689,336	2.0%	-5.1%
Landing fees	2,567,747	3.9%	2,643,417	3.7%	1,218,711	1.4%	-2.9%
Utility recovery charge and other fees	442,015	0.7%	554,104	0.8%	290,131	0.3%	-20.2%
Fuel flowage fee	<u>158,956</u>	<u>0.2%</u>	<u>155,562</u>	<u>0.2%</u>	<u>142,507</u>	<u>0.2%</u>	2.2%
Total facilities and systems usage charges	<u>22,345,154</u>	<u>34.0%</u>	<u>22,987,211</u>	<u>31.9%</u>	<u>17,797,085</u>	<u>21.0%</u>	2.8%
Concession fees:							
General merchandise	7,194,836	11.0%	6,326,954	8.8%	6,064,436	7.2%	13.7%
Ground transportation	4,156,156	6.3%	4,267,947	5.9%	3,870,031	4.6%	-2.6%
Car rental	931,949	1.4%	931,766	1.3%	910,220	1.1%	0.0%
Food and beverage	844,104	1.3%	810,174	1.1%	707,835	0.8%	4.2%
In-flight catering	666,213	1.0%	679,358	0.9%	589,956	0.7%	-1.9%
Other	<u>969,699</u>	<u>1.5%</u>	<u>870,962</u>	<u>1.1%</u>	<u>801,077</u>	<u>0.9%</u>	11.3%
Total concession fees	<u>14,762,957</u>	<u>22.5%</u>	<u>13,887,161</u>	<u>19.1%</u>	<u>12,943,555</u>	<u>15.3%</u>	6.3%
Rental income:							
Operating space - airline	3,065,873	4.7%	2,730,854	3.8%	2,754,459	3.3%	12.3%
Operating space - non-airline	3,749,467	5.7%	2,730,298	3.8%	2,997,093	3.5%	37.3%
Other	<u>3,803,190</u>	<u>5.8%</u>	<u>3,953,645</u>	<u>5.5%</u>	<u>3,587,235</u>	<u>4.2%</u>	-3.8%
Total rental income	<u>10,618,530</u>	<u>16.2%</u>	<u>9,414,797</u>	<u>13.1%</u>	<u>9,338,787</u>	<u>11.0%</u>	12.8%
Miscellaneous	<u>1,481,857</u>	<u>2.4%</u>	<u>840,907</u>	<u>1.1%</u>	<u>1,651,198</u>	<u>2.0%</u>	76.2%
Total operating	<u>49,208,498</u>	<u>75.1%</u>	<u>47,130,076</u>	<u>65.2%</u>	<u>41,730,625</u>	<u>49.3%</u>	4.4%
Non-Operating:							
Interest income	1,155,144	1.8%	1,282,807	1.8%	1,468,089	1.7%	-10.0%
Passenger facility charge	5,576,838	8.5%	5,668,517	7.9%	5,064,667	6.0%	-1.6%
Grants from the U. S. Government	9,508,361	14.5%	18,018,117	25.0%	36,261,526	42.9%	-47.2%
Transfer from Government of Guam - OHS	<u>78,063</u>	<u>0.1%</u>	<u>60,731</u>	<u>0.1%</u>	<u>30,095</u>	<u>0.1%</u>	28.5%
Total non-operating	<u>16,318,406</u>	<u>24.9%</u>	<u>25,030,172</u>	<u>34.8%</u>	<u>42,824,377</u>	<u>50.7%</u>	-34.8%
Total revenues	<u>\$ 65,526,904</u>	<u>100.0%</u>	<u>\$72,160,248</u>	<u>100.0%</u>	<u>\$84,555,002</u>	<u>100.0%</u>	-9.2%

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### D. Financial Operation Highlights, continued

#### *Revenues, continued*

Receipts from grants from the United States Government amounted to \$9.5 million for FY 2011. The majority of monies will be used for airfield and aviation infrastructure improvements and base conversion projects.

#### Expenses

A summary of expenses for the years ended September 30, 2011, 2010, and 2009 and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2011</u>	2011 % of Total	<u>2010</u>	2010 % of Total	<u>2009</u>	2009 % of Total	2011 % Increase (Decrease) from 2010
Operating:							
Contractual services	\$18,662,427	29.1%	\$17,504,651	28.0%	\$16,086,870	26.7%	6.6%
Personnel services	13,744,204	21.4%	12,755,098	20.4%	12,706,013	21.1%	7.8%
Materials and supplies	825,621	1.3%	712,570	1.1%	684,259	1.1%	15.9%
Bad debt expense	<u>490,768</u>	<u>0.8%</u>	<u>112,319</u>	<u>0.2%</u>	<u>34,889</u>	<u>0.1%</u>	336.9%
Total operating expenses	<u>33,723,020</u>	<u>52.6%</u>	<u>31,084,638</u>	<u>49.7%</u>	<u>29,512,031</u>	<u>49.0%</u>	8.5%
Depreciation and amortization	<u>22,638,455</u>	<u>35.3%</u>	<u>22,975,268</u>	<u>36.8%</u>	<u>21,797,415</u>	<u>36.2%</u>	-1.5%
Non-Operating:							
Interest expense	7,343,883	11.4%	7,947,785	12.7%	8,339,935	13.9%	-7.6%
Other expenses	<u>489,532</u>	<u>0.7%</u>	<u>489,693</u>	<u>0.8%</u>	<u>538,997</u>	<u>0.9%</u>	-0.0%
Total non-operating expenses	<u>7,833,415</u>	<u>12.1%</u>	<u>8,437,478</u>	<u>13.5%</u>	<u>8,878,932</u>	<u>14.8%</u>	-7.2%
Total expenses	<u>\$64,194,890</u>	<u>100.0%</u>	<u>\$62,497,384</u>	<u>100.0%</u>	<u>\$60,188,378</u>	<u>100.0%</u>	2.7%
Total full time employees	199		200		205		

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### E. Cost Per Enplaned Passenger & Debt Service Coverage

#### Cost Per Enplaned Passenger

A summary of the cost per enplaned passenger for the years ended September 30, 2011, 2010 and 2009, and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2011</u>		<u>2010</u>		<u>2009</u>	
	<u>Actual</u>	<u>% of Totals</u>	<u>Actual</u>	<u>% of Totals</u>	<u>Actual</u>	<u>% of Totals</u>
<b>Airport Revenues</b>						
Signatory Airline rentals & fees	\$24,016,783	42.6%	\$24,452,297	44.8%	\$19,587,139	40.1%
Revenues from sources other than						
Signatory Airline rentals and fees	26,157,787	46.4%	23,717,183	43.5%	23,294,854	47.7%
Passenger Facility Charge revenue	5,576,838	9.9%	5,668,517	10.4%	5,064,667	10.4%
Operating grants from U.S. Government	<u>581,938</u>	<u>1.1%</u>	<u>730,579</u>	<u>1.3%</u>	<u>873,026</u>	<u>1.8%</u>
<b>Airport Revenues</b>	<b><u>\$56,333,346</u></b>	<b><u>100.0%</u></b>	<b><u>\$54,568,576</u></b>	<b><u>100.0%</u></b>	<b><u>\$48,819,686</u></b>	<b><u>100.0%</u></b>
		<u>% Change</u>		<u>% Change</u>		
Signatory Airline enplaned passengers	1,416,873	-2.1%	1,446,896	12.9%	1,281,018	
Signatory Airline cost per enplaned passenger	\$16.95	0.3%	\$16.90	10.5%	\$15.29	

#### Debt Service Coverage

Under the Bond Indenture for the issuance of the 2003 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 coverage for the years ended September 30, 2011, 2010 and 2009 is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011 % Increase (Decrease) from 2010</u>
Airport Revenues	\$56,333,346	\$54,568,576	\$48,819,686	3.2%
Less: Operation and Maintenance Expenses	(34,335,336)	(31,729,823)	(30,401,047)	8.2%
Net Revenues	21,998,010	22,838,753	18,418,639	-3.7%
Plus: Other Available Moneys	<u>4,304,480</u>	<u>4,292,067</u>	<u>4,282,905</u>	0.3%
Net Revenues and Other Available Moneys	<b><u>\$26,302,490</u></b>	<b><u>\$27,130,820</u></b>	<b><u>\$22,701,544</u></b>	-3.1%
<u>Rate Covenant</u>				
Net Revenues and Other Available Moneys	\$26,302,490	\$27,130,820	\$22,701,544	-3.1%
Total Annual Debt Service	\$17,217,919	\$17,168,269	\$17,131,619	0.3%
Annual Debt Service Coverage	1.53	1.58	1.33	-3.2%
Debt service coverage requirement	1.25	1.25	1.25	

# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### **F. Outlook for FY 2012**

For 2012, the industry forecast is expected to remain flat in terms of passenger activity and profitability under 2% for many airlines. Airfares are expected to rise with airlines shrinking capacity; airlines investing in new fuel efficient aircraft and passenger service technology and; ancillary costs increasing as airlines find ways to generate more revenue in an effort to remain profitable.

The Authority's passenger projections of 1,474,429 enplanements reflect a conservative outlook year-over-year with a 2.4% growth in FY 2012. This growth will be fueled from pent-up travel demand coming from Japan and increased promotions in the South Korea, Taiwan and China markets. The strength of foreign currency is also a factor that makes Guam an attractive and value-added destination. The visa waiver parole authority granted to Guam for Russian travelers and the impact on the Authority's traffic is uncertain but the opportunity remains. The game changer is whether China and their millions of outbound travellers will be included in the visa waiver program.

The Authority is committed to working with GVB and will continue to aggressively pursue its air service development program. Specific targets include an air link between Guam and Southeast Asia, i.e. Singapore, direct service to China and opening a second city in South Korea. The Authority and GVB will continue to work on air service opportunities for charters and scheduled extra sections as airlines need to manage their fleet and seek ways to maximize aircraft utilization.

The Authority will continue to exercise its fiduciary responsibility and will proceed only with projects that are federally funded, mission essential and does not jeopardize its cost structure. The Authority will work closely with its airline partners to contain operational cost and has projected \$17.14 as the CPE for FY 2012. By maintaining a low cost structure and affordable airport rates and charges, the Authority hopes to increase airline activity that ultimately translates into increased operating revenue through its concessions.

The Authority will pursue further airfield improvements with the installation of a new Instrument Landing System for Runway 6L. The same runway is also expected to be rehabilitated and reconstructed, if needed. These projects pave the way for the runway to be operational for long-haul air service.

Improvements to the utility infrastructure will continue. The new airport water system will be operational in FY 2012 and the FAA's compliance concerns resolved. Electrical projects will include underground power connections and hardened ramp lights. New mechanical equipment and efficient lighting systems are scheduled for installation as part of the Authority's energy management program.



# Antonio B. Won Pat International Airport Authority, Guam

## Management's Discussion and Analysis, continued

### **F. Outlook for FY 2012, continued**

Demolition and environmental remediation projects will also occur during FY 2012. Demolition of the old cargo building, the former GPD barracks and other former Navy facilities is funded and the project will be advertised for bid. Improvements to the storm and waste water systems are also anticipated. The noise mitigation program for residential homes is expected to re-start in FY 2012 after a brief lull for the FAA to clarify regulatory standards.

The Authority expects to finalize an action plan with DPW for the Tiyan Parkway and mitigate the closure of Central Avenue. Land acquisition initiatives will be formalized as part of an amended MOU. Concurrently, consultations will continue for a phased expansion of Route 10A to connect Routes 1 and 16.

The Authority in partnership with GEDA will start the finance planning process for the 2013 bond call date to re-finance the 2003 bond issue and possibly seek new capital. Any new capital will be based on the recommendations proposed under the airport master plan update which will be completed in the first half of FY 2012. Projects that will be considered include a permanent solution to the concourse separation mandate, relocation of TSA baggage screening from the ticket lobbies to the in-line outbound baggage system, improvements to enhance customer service levels and projects to increase the useful life of the air terminal.

With several initiatives and projects underway, the Authority remains committed to positioning Guam as a major transportation hub in the Western-Pacific region for 2012.

Antonio B. Won Pat International Airport Authority, Guam

Statements of Net Assets

	September 30,	
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current assets:		
Unrestricted assets:		
Cash ( <i>Note 3</i> )	\$ 865,406	\$ 991,123
Passenger facility charge cash ( <i>Note 3</i> )	99,298	271,388
Accounts receivable, trade, net of allowance for doubtful accounts of \$886,162 at September 30, 2011 (\$395,394 at September 30, 2010) ( <i>Notes 3 and 8</i> )	6,228,114	6,908,571
Passenger facility charge receivables ( <i>Note 3</i> )	561,902	672,982
Receivables from the United States Government	454,035	3,277,661
Inventory and other	<u>67,361</u>	<u>42,530</u>
Total unrestricted current assets	<u>8,276,116</u>	<u>12,164,255</u>
Restricted assets:		
Customs fees, cash ( <i>Note 3</i> )	335,358	157,288
Customs fees, receivables ( <i>Note 11</i> )	<u>1,443,800</u>	<u>1,878,718</u>
Total restricted current assets	<u>1,779,158</u>	<u>2,036,006</u>
Total current assets	<u>10,055,274</u>	<u>14,200,261</u>
General Revenue Bonds ( <i>Note 6</i> ) :		
Investments and cash with trustees, unrestricted	21,577,162	21,972,719
Investments and cash with trustees, restricted	<u>32,671,610</u>	<u>32,415,162</u>
	<u>54,248,772</u>	<u>54,387,881</u>
Capital assets, at cost less accumulated depreciation ( <i>Notes 4 and 10</i> )		
Avigation easements ( <i>Note 4</i> )	405,381,493	413,838,006
Deferred bond issue costs	12,984,992	13,994,340
	<u>5,448,094</u>	<u>6,256,409</u>
Total assets	<u>\$ 488,118,625</u>	<u>\$ 502,676,897</u>

Antonio B. Won Pat International Airport Authority, Guam

Statements of Net Assets, continued

	September 30,	
	<u>2011</u>	<u>2010</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable - trade	\$ 2,366,675	\$ 2,376,085
Accounts payable - construction	4,382,840	10,701,502
Other liabilities ( <i>Note 10</i> )	1,173,341	1,263,143
Security deposits and deferred income	1,135,533	1,294,021
Current portion of annual leave ( <i>Note 9</i> )	<u>322,389</u>	<u>292,099</u>
Total payable from unrestricted assets	<u>9,380,778</u>	<u>15,926,850</u>
Payable from restricted assets:		
Customs fees payable to Treasurer of Guam ( <i>Note 11</i> )	1,785,059	2,153,590
General Revenue Bonds:		
Current installments ( <i>Notes 5 and 9</i> )	9,095,000	8,625,000
Accrued interest	<u>4,061,459</u>	<u>4,271,634</u>
Total payable from restricted assets	<u>14,941,518</u>	<u>15,050,224</u>
Total current liabilities	<u>24,322,296</u>	<u>30,977,074</u>
Non-current liabilities:		
Payable from unrestricted assets:		
Accrued sick leave ( <i>Notes 7 and 9</i> )	170,548	131,884
Long-term portion of annual leave ( <i>Note 9</i> )	667,578	727,455
Payable from restricted assets:		
Long-term bonds payable, less current installments:		
General Revenue Bonds ( <i>Notes 5 and 9</i> )	<u>155,809,139</u>	<u>165,023,434</u>
Total non-current liabilities	<u>156,647,265</u>	<u>165,882,773</u>
Total liabilities	<u>180,969,561</u>	<u>196,859,847</u>
Commitments and contingencies ( <i>Notes 5 and 10</i> )		
Net assets:		
Invested in capital assets, net of related debt	258,910,440	260,440,321
Restricted ( <i>Notes 4 and 10</i> )	28,604,250	28,025,944
Unrestricted	<u>19,634,374</u>	<u>17,350,785</u>
Total net assets	<u>307,149,064</u>	<u>305,817,050</u>
Total liabilities and net assets	<u>\$ 488,118,625</u>	<u>\$ 502,676,897</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam  
Statements of Revenues, Expenses and Changes in Net Assets

	Year ended September 30,	
	<u>2011</u>	<u>2010</u>
Revenues (Note 5) :		
Facilities and systems usage charges	\$ 22,345,154	\$ 22,987,211
Concession fees (Notes 3 and 8)	14,762,957	13,887,161
Rental income (Note 8)	10,618,530	9,414,797
Miscellaneous	<u>1,481,857</u>	<u>840,907</u>
Total revenues	<u>49,208,498</u>	<u>47,130,076</u>
Operating costs and expenses:		
Contractual services (Note 10)	18,662,427	17,504,651
Personnel services	13,744,204	12,755,098
Materials and supplies	825,621	712,570
Bad debt	<u>490,768</u>	<u>112,319</u>
Total operating costs and expenses	<u>33,723,020</u>	<u>31,084,638</u>
Income from operations before depreciation and amortization	15,485,478	16,045,438
Depreciation and amortization	( <u>22,638,455</u> )	( <u>22,975,268</u> )
Loss from operations	( <u>7,152,977</u> )	( <u>6,929,830</u> )
Non-operating income (expense):		
Passenger facility charge income	5,576,838	5,668,517
Interest income	1,155,144	1,282,807
Interest expense	( <u>7,343,883</u> )	( <u>7,947,785</u> )
Other expenses, net (Note 5)	( <u>440,906</u> )	( <u>456,831</u> )
Non-recurring expenses	( <u>48,626</u> )	( <u>32,862</u> )
Total non-operating expenses, net	( <u>1,101,433</u> )	( <u>1,486,154</u> )
Loss before capital grants and transfer in	( <u>8,254,410</u> )	( <u>8,415,984</u> )
Capital grants from the United States Government	9,004,486	17,348,269
Operating grants from the United States Government	503,875	669,848
Transfer from Government of Guam - Office of Highway Safety (OHS)	<u>78,063</u>	<u>60,731</u>
Total capital and operating grants	<u>9,586,424</u>	<u>18,078,848</u>
Increase in net assets	1,332,014	9,662,864
Net assets at beginning of year	<u>305,817,050</u>	<u>296,154,186</u>
Net assets at end of year	<u>\$ 307,149,064</u>	<u>\$ 305,817,050</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam

Statements of Cash Flows

	Year ended September 30,	
	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 49,674,617	\$ 43,728,277
Cash paid to suppliers for goods and services	( 26,788,816 )	( 15,796,515 )
Cash paid to employees	( 13,735,127 )	( 12,652,796 )
Net cash provided by operating activities	<u>9,150,674</u>	<u>15,278,966</u>
<b>Cash flows from investing activities:</b>		
Net sales of investments with trustee	139,109	2,021,755
Investment interest income	1,155,144	1,282,807
Proceeds from collection on note receivable	<u>---</u>	<u>220,000</u>
Cash provided by investing activities	<u>1,294,253</u>	<u>3,524,562</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of airport facilities	( 12,364,279 )	( 28,806,886 )
Principal payment on General Revenue Bonds	( 8,744,295 )	( 8,360,565 )
Interest paid on General Revenue Bonds	( 7,554,058 )	( 8,124,460 )
U.S. Government capital grants	12,331,987	18,889,128
Passenger facility charge receipts	5,687,918	5,561,961
Transfer from Government of Guam - OHS	<u>78,063</u>	<u>60,731</u>
Net cash used in capital and related financing activities	<u>( 10,564,664 )</u>	<u>( 20,780,091 )</u>
Net decrease in cash	<u>( 119,737 )</u>	<u>( 1,976,563 )</u>
Cash at beginning of year	<u>1,419,799</u>	<u>3,396,362</u>
Cash at end of year	<u>\$ 1,300,062</u>	<u>\$ 1,419,799</u>
<b>Consisting of:</b>		
Unrestricted	\$ 964,704	\$ 1,262,511
Restricted - current	<u>335,358</u>	<u>157,288</u>
	<u>\$ 1,300,062</u>	<u>\$ 1,419,799</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2011</u>	<u>2010</u>
<b>Reconciliation of loss from operations and other expenses to net cash provided by operating activities:</b>		
Loss from operations	\$( 7,152,977 )	\$( 6,929,830 )
Non-recurring and other expenses, net	( <u>489,532</u> )	( <u>489,693</u> )
	( <u>7,642,509</u> )	( <u>7,419,523</u> )
Adjustments to reconcile loss from operations and other expenses, net to net cash provided by operating activities:		
Depreciation and amortization	22,638,455	22,975,268
Bad debt expense	490,768	112,319
(Increase) decrease in assets:		
Accounts receivable	624,607	( 3,306,141 )
Inventory	( 24,831 )	22,114
Increase (decrease) in liabilities:		
Accounts payable	( 6,696,603 )	2,933,707
Other current liabilities	( 89,802 )	( 45,422 )
Security deposits and deferred income	( 158,488 )	( 95,658 )
Annual leave	( 29,587 )	73,880
Accrued sick leave	<u>38,664</u>	<u>28,422</u>
Total adjustments	<u>16,793,183</u>	<u>22,698,489</u>
Net cash provided by operating activities	<u>\$ 9,150,674</u>	<u>\$ 15,278,966</u>

# Antonio B. Won Pat International Airport Authority, Guam

## Notes to Financial Statements

Years ended September 30, 2011 and 2010

### 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. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

#### Net Assets

Net assets represent the residual interest in the Authority's assets after liabilities are deducted and consist of three sections: net assets invested in capital assets, net of related debt; restricted and unrestricted. Net assets invested in capital assets, net of related debt include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. The Authority's restricted assets are expendable. All other net assets are unrestricted.

#### Cash

For the purpose of the statements 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.

# Antonio B. Won Pat International Airport Authority, Guam

## Notes to Financial Statements, continued

### **1. Organization and Summary of Accounting Policies, continued**

#### **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. As of September 30, 2011 and 2010, receivables that are more than ninety days past due totaled approximately \$2,373,000 and \$1,523,000, respectively. 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 charged to expense.

#### **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 amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale and are primarily determined based on quoted market values.

#### **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.



Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Capitalization of Interest**

The Authority charges to construction-in-progress interest incurred during the period of construction. Interest is capitalized in accordance with Financial Accounting Standards Board Accounting Standards Codification No. 835 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.

**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 from February 28, 2003 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.

# Antonio B. Won Pat International Airport Authority, Guam

## Notes to Financial Statements, continued

### **1. Organization and Summary of Accounting Policies, continued**

#### **Bond Premium and Discount**

The premium on the 2003 General Revenue Bonds is being amortized on a weighted-average basis over the life of the bond issues.

#### **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.

Revenues are recognized when earned or when services are rendered. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **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 assets.

#### **Environmental Costs**

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.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**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 10.

**New Accounting Standards**

During the year ended September 30, 2011, the Authority implemented the following pronouncements:

- In December 2009, GASB issued Statement No. 57, *Other Postemployment Benefits (OPEB) Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans and by the agent multiple-employer OPEB plans in which they participate. The provisions of this statement are effective for periods beginning after June 15, 2011.
- In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which establishes to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010.

The implementation of these pronouncements did not have a material effect on the financial statements of the Authority.

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for periods beginning after December 15, 2011. The statement establishes guidance for accounting and financial reporting for service concession arrangements. The Authority is currently evaluating the effects this statement will have on its financial statements.

# Antonio B. Won Pat International Airport Authority, Guam

## Notes to Financial Statements, continued

### 1. Organization and Summary of Accounting Policies, continued

#### New Accounting Standards, continued

In November 2010, GASB issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*," effective for periods beginning after June 15, 2012. The statement addresses reporting entity issues that have arisen since the issuance of Statement No. 14 and Statement No. 34. The Authority is currently evaluating the effects this statement will have on its financial statements.

In December 2010, GASB issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*," effective for periods beginning after December 15, 2011. The statement incorporates into the GASB's authoritative literature certain accounting and financial guidance issued on or before November 30, 1989. The Authority is currently evaluating the effects this statement will have on its financial statements.

In June 2011, GASB issued Statement No. 63, "*Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," effective for periods beginning after December 15, 2011. The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Authority is currently evaluating the effects this statement will have on its financial statements.

In June 2011, GASB issued Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions*," effective for periods beginning after June 15, 2011. The statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The statement also sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Authority is currently evaluating the effects this statement will have on its financial statements.

#### Reclassifications

Certain reclassifications have been made to the 2010 financial statements for comparative purposes. Such reclassifications have no effect on the previously reported increase in net assets.

# Antonio B. Won Pat International Airport Authority, Guam

## Notes to Financial Statements, continued

### **2. Subsequent Events**

The Authority has evaluated subsequent events through January 25, 2012.

### **3. Concentrations of Credit Risk and Major Customers**

Financial instruments which potentially subject the Authority to concentrations of credit risk consist principally of cash deposits and accounts receivable.

The Authority maintains its cash in bank accounts, which at times may exceed federal depository insurance limits. At September 30, 2011 and 2010, \$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 15% and 14% of total operating revenues for each of the years ended September 30, 2011 and 2010, respectively. Receivables from the primary concessionaire totaled \$929,017 and \$732,239 at September 30, 2011 and 2010, respectively.

For the year ended September 30, 2011, approximately 29% of the Authority's total operating revenues, including passenger facility charge income, were derived from one airline customer. At September 30, 2011, the receivable from this airline customer totaled \$1,397,109. For the year ended September 30, 2010, approximately 26% and 11% of the Authority's total operating revenues, including passenger facility charge income, were derived from two airline customers. At September 30, 2010, receivables from these airline customers totaled \$2,634,576 and \$1,408,650, 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.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**4. Airport Facilities**

A summary of changes in capital assets for the year ended September 30, 2011 is as follows:

	Beginning Balance October 1, <u>2010</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance September 30, <u>2011</u>
Capital assets depreciated:				
Terminal building	\$330,412,546	\$ ---	\$10,720,748	\$341,133,294
Other buildings	61,065,843	15,000	23,733,183	84,814,026
Apron area	40,983,694	---	---	40,983,694
Airfield area	57,263,161	---	24,523,563	81,786,724
Terminal area	24,748,708	---	---	24,748,708
Support facilities	<u>8,657,093</u>	<u>19,394</u>	<u>---</u>	<u>8,676,487</u>
Total capital assets depreciated	523,131,045	34,394	58,977,494	582,142,933
Less accumulated depreciation	<u>(286,410,865)</u>	<u>(20,820,792)</u>	<u>---</u>	<u>(307,231,657)</u>
Net capital assets depreciated	<u>236,720,180</u>	<u>(20,786,398)</u>	<u>58,977,494</u>	<u>274,911,276</u>
Capital assets not depreciated:				
Land	57,461,373	---	---	57,461,373
Construction-in-progress	<u>119,656,453</u>	<u>12,329,885</u>	<u>(58,977,494)</u>	<u>73,008,844</u>
Total capital assets not depreciated	<u>177,117,826</u>	<u>12,329,885</u>	<u>(58,977,494)</u>	<u>130,470,217</u>
	<u>\$413,838,006</u>	<u>\$ ( 8,456,513)</u>	<u>\$ ---</u>	<u>\$405,381,493</u>

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, 2011 and 2010 included \$661,913 and \$579,586, respectively, of costs associated with the residential sound insulation program. During the years ended September 30, 2011 and 2010, the Authority's avigation easements totaled \$12,984,992 and \$13,994,340, net of amortization, respectively, and is shown as avigation easements in the accompanying statements of net assets.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**4. Airport Facilities, continued**

A summary of changes in capital assets for the year ended September 30, 2010 is as follows:

	Beginning Balance October 1, 2009	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2010
Capital assets depreciated:				
Terminal building	\$329,923,081	\$ 489,465	\$ ---	\$330,412,546
Other buildings	61,065,843	---	---	61,065,843
Apron area	40,983,694	---	---	40,983,694
Airfield area	57,209,749	53,412	---	57,263,161
Terminal area	24,748,708	---	---	24,748,708
Support facilities	<u>8,657,093</u>	<u>---</u>	<u>---</u>	<u>8,657,093</u>
Total capital assets depreciated	522,588,168	542,877	---	523,131,045
Less accumulated depreciation	<u>(265,295,741)</u>	<u>(21,115,124)</u>	<u>---</u>	<u>(286,410,865)</u>
Net capital assets depreciated	<u>257,292,427</u>	<u>(20,572,247)</u>	<u>---</u>	<u>236,720,180</u>
Capital assets not depreciated:				
Land	57,461,373	---	---	57,461,373
Construction-in-progress	<u>91,392,441</u>	<u>28,264,012</u>	<u>---</u>	<u>119,656,453</u>
Total capital assets not depreciated	<u>148,853,814</u>	<u>28,264,012</u>	<u>---</u>	<u>177,117,826</u>
	<u>\$406,146,241</u>	<u>\$ 7,691,765</u>	<u>\$ ---</u>	<u>\$413,838,006</u>

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. As more fully discussed in Note 10, 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 assets. 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.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**4. Airport Facilities, continued**

Interest capitalized for the years ended September 30, 2011 and 2010, totaled \$605,752 and \$595,484, 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 assets. In fiscal year 2001, the Navy paid the Authority \$10,000,000 (see Note 10) 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, 2011 and 2010, consist of the following:

	<u>2011</u>	<u>2010</u>
General revenue bonds, Series 2003 (original issue of \$216,250,000):		
Varying interest rates (1.45% - 5.375%) payable semiannually in October and April, principal payments due in varying annual installments with \$9,095,000 and \$8,625,000 due in October 2011 and 2010, respectively, and increasing to \$17,175,000 on October 2023	\$164,100,000	\$172,725,000
Less current installments	( 9,095,000)	( 8,625,000)
	155,005,000	164,100,000
Add net unamortized premium on bonds	4,130,326	4,743,128
Less deferred difference on refunding of 1993 bonds	( 3,326,187)	( 3,819,694)
	<u>\$155,809,139</u>	<u>\$165,023,434</u>



Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**5. Long-Term Revenue Bonds Payable, continued**

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 9,095,000	\$ 7,901,000	\$ 16,996,000
2013	9,590,000	7,482,000	17,072,000
2014	10,030,000	7,076,000	17,106,000
2015	10,510,000	6,621,000	17,131,000
2016	11,065,000	6,121,000	17,186,000
2017 through 2021	65,065,000	21,479,000	86,544,000
2022 through 2024	<u>48,745,000</u>	<u>3,858,000</u>	<u>52,603,000</u>
	<u>\$164,100,000</u>	<u>\$ 60,538,000</u>	<u>\$224,638,000</u>

On September 30, 2003, the Authority issued \$216,250,000 in Series 2003 General Revenue Bonds to retire \$216,185,000 of outstanding 1993 Series bonds. The net proceeds of \$192,699,547 (after payment of \$11,007,710 in underwriting fees, insurance, and other issuance cost) plus an additional \$30,969,034 of 1993 Series fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the refunding of the 1993 bonds on October 31, 2003.

The refunding resulted in a difference on refunding of \$7,937,352 representing the difference between the reacquisition price and carrying amount of the 1993 bonds. This amount was deferred and is being amortized over the remaining life of the 1993 bonds. For the years ended September 30, 2011 and 2010, the amortization expense totaling \$493,507 and \$519,445, respectively, are included as a component of other expenses, net in the accompanying statements of revenues, expenses and changes in net assets.

The General Revenue Bonds, Series 2003, 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 the financial guaranty insurance policy, guaranteeing the schedule payment of the principal and interest on the 2003 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.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**6. Investments and Cash with Trustees**

The aforementioned bond indentures require 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, 2011 and 2010, investments and cash held by the trustees, in trust for the Authority, in these funds and accounts are as follows:

	<u>2011</u>	<u>2010</u>
Operations and Maintenance Reserve Fund	\$ 9,252,793	\$ 8,452,036
Federal Grant Funds	7,095,661	7,928,646
Self-Insurance Fund	4,038,862	5,112,952
General Revenue Fund	639,581	80,370
Capital Improvement Fund	545,579	387,634
Operations and Maintenance Fund	<u>4,686</u>	<u>11,081</u>
Total Unrestricted	<u>21,577,162</u>	<u>21,972,719</u>
Cash with trustees	449,771	449,777
Bond Reserve Funds	18,063,952	18,063,978
Debt Service Funds	13,157,642	12,901,153
Renewal and Replacement Fund	<u>1,000,245</u>	<u>1,000,254</u>
Total Restricted	<u>32,671,610</u>	<u>32,415,162</u>
	<u>\$ 54,248,772</u>	<u>\$ 54,387,881</u>

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**6. Investments and Cash with Trustees, continued**

Investments are stated at fair market value. The amortized cost and fair value of investments at September 30, 2011 and 2010 are summarized as follows:

	2011			2010		
	Amortized Cost	Gross unrealized gains	Fair value	Amortized Cost	Gross unrealized gains	Fair value
Cash with trustees	\$ 449,771	\$ ---	\$ 449,771	\$ 4,718	\$ ---	\$ 4,718
Money market/ trust funds	27,494,078	---	27,494,078	30,281,505	---	30,281,505
Investment agreements	18,045,950	---	18,045,950	18,045,950	---	18,045,950
Short-term investments	7,024,998	160,945	7,185,943	5,774,884	193,890	5,968,774
U.S. Treasury notes	<u>1,037,893</u>	<u>35,137</u>	<u>1,073,030</u>	<u>84,928</u>	<u>2,006</u>	<u>86,934</u>
	<u>\$54,052,690</u>	<u>\$ 196,082</u>	<u>\$54,248,772</u>	<u>\$54,191,985</u>	<u>\$ 195,896</u>	<u>\$54,387,881</u>

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by the Authority or its agent in the Authority's name;
- Category 2 Investments that are uninsured and unregistered for which securities are held by the counterparty's trust department or agent in the Authority's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the Authority's name.

As of September 30, 2011 and 2010, all investments were classified as Category 2 investments.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, amended GASB Statement No. 3 to, in effect, eliminate disclosure for deposits and investments falling into categories 1 and 2 and provide for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial risk in GASB Statement No. 3.

# Antonio B. Won Pat International Airport Authority, Guam

## Notes to Financial Statements, continued

### **6. Investments and Cash with Trustees, continued**

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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. 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.

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, Citibank N.A. and Coast 360 Federal Credit Union manage the Federal Fund accounts investing in U.S. Treasury Securities, U.S. Government Agencies, 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 Agencies 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 bond indenture.

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, 2011 and 2010.

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**6. Investments and Cash with Trustees, continued**

At September 30, 2011, the Authority's investments in debt securities were as follows:

	Standard & Poor's/Moody's Credit Rating	Investment Maturities (In Years)				Total
		Less than 1	1 to 5	6 to 10	Greater than 10	
US treasury notes	Aa+/Aaa	\$ 35,916	\$1,033,407	\$ ---	\$ ---	\$ 1,069,323
US government agencies:						
Federal Home Loan Mortgage Corporation	Aaa	809,701	1,092,592	---	---	1,902,293
Federal National Mortgage Association	Aaa	199,681	1,117,213	---	---	1,316,894
Other guaranteed by FDIC	Aaa	328,949	---	---	---	328,949
Corporate notes:						
CDC Funding Corporation	A+/Aa3	---	---	---	18,045,950	18,045,950
Other	Aaa	36,273	33,763	---	---	70,036
Other	Aa/Aa2	20,552	365,533	---	---	386,085
Other	A/A2	116,790	741,035	6,304	---	864,129
Other	Bbb/Baa2	---	193,304	---	---	193,304
Money Market Funds:						
Federated Investments	Aaa	2,078,675	---	---	---	2,078,675
US Bank, NA	A1/Aa2	13,175,325	---	---	---	13,175,325
Citibank, NA	A/A1	4,032,850	---	---	---	4,032,850
Bank of Guam	Bbb/Baa2	9,417,765	---	---	---	9,417,765
Other	Not rated	<u>867,327</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>867,327</u>
		<u>\$31,119,804</u>	<u>\$4,576,847</u>	<u>\$ 6,304</u>	<u>\$18,045,950</u>	53,748,905
Cash						449,771
Accrued interest						<u>50,096</u>
						<u>\$54,248,772</u>

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**6. Investments and Cash with Trustees, continued**

At September 30, 2010, the Authority's investments in debt securities were as follows:

	Standard & Poor's/Moody's Credit Rating	Investment Maturities (In Years)				Total
		Less than 1	1 to 5	6 to 10	Greater than 10	
US treasury notes	Aaa	\$ ---	\$ 86,750	\$ ---	\$ ---	\$ 86,750
US government agencies:						
Federal Home Loan Mortgage Corporation	Aaa	50,672	1,204,986	---	---	1,255,658
Federal National Mortgage Association	Aaa	---	2,412,440	29,437	---	2,441,877
Other guaranteed by FDIC	Aaa	65,259	336,558	---	---	401,817
Corporate notes:						
CDC Funding Corporation	Aa	---	---	---	18,045,950	18,045,950
Other	Aaa	---	65,844	---	---	65,844
Other	Aa	213,870	391,652	---	---	605,522
Other	A	20,868	884,696	---	---	905,564
Other	Bbb	---	246,018	---	---	246,018
Money Market Funds	Aaa	<u>30,269,548</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>30,269,548</u>
		<u>\$30,620,217</u>	<u>\$5,628,944</u>	<u>\$ 29,437</u>	<u>\$18,045,950</u>	<u>54,324,548</u>
Cash						4,718
Accrued interest						<u>58,615</u>
						<u>\$54,387,881</u>

**7. Employee Benefits and Other**

*Employee Retirement Plan*

Employees of the Authority hired before September 30, 1995 are under the Government of Guam Employees' Retirement System, a defined benefit pension plan (DB Plan). Employees hired after September 30, 1995, are members of the new Defined Contribution Retirement System (DCRS). 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.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**7. Employee Benefits and Other, continued**

The DB Plan and the DCRS are administered by the Government of Guam Retirement Fund (GGRF), to which the Authority contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

*DB Plan*

The DB Plan is a cost-sharing multiple-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. 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](http://www.ggrf.com).

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.

Statutory contribution rates for employer and employee contributions were 27.46% and 9.50%, respectively, for the year ended September 30, 2011, 26.04% and 9.50%, respectively, for the year ended September 30, 2010 and 25.20% and 9.50%, respectively, for the year ended September 30, 2009.

Actuarial contribution rates were 28.06%, 29.31% and 26.02% for the years ended September 30, 2011, 2010 and 2009, respectively.

During the years ended September 30, 2011, 2010 and 2009, contributions made and accrued, which were equal to the required contributions for those years, amounted to \$338,176, \$353,856 and \$357,970, respectively.

Notes to Financial Statements, continued

**7. Employee Benefits and Other, continued**

*DCRS*

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, 2011 and 2010 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, 2011, 2010 and 2009, contributions made and amounts accrued under the DCRS amounted to \$2,314,135, \$2,049,637 and \$1,998,701, respectively.

Retirement expense amounted to \$2,652,311, \$2,403,493 and \$2,356,671 for the years ended September 30, 2011, 2010 and 2009, 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, 2011 and 2010, the Authority has accrued an estimated liability of \$170,548 and \$131,884, respectively. However, this amount is an estimate and actual payout could differ from those estimates.



Notes to Financial Statements, continued

**7. Employee Benefits and Other, continued**

*Other Post-Employment Benefits*

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

*Other*

Public Law 29-154 adopts the personnel rules and regulations for aviation-related positions unique to airport operations and certified, technical, and professional employees, as required by Public Law 29-24, and to make compensation and benefits adjustments for current employees effective on the first day of fiscal year 2009. In April 2010, the Authority paid a total amount of \$894,305 related to this Public Law.

**8. Leases**

*DFS*

In November 2002, DFS was selected as primary concessionaire for the airport terminal for a ten year term commencing January 2003.

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

1. Four million dollars (the "minimum guarantee") plus five hundred thousand dollars (the "additional rent"), or;
2. The sum of 20% of gross revenues up to \$30 million plus 22.5% of gross revenues exceeding \$30 million

During the lease term, the minimum guarantee rent and the additional rent are paid in equal monthly installments on or before the first day of each month.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**8. Leases, continued**

*DFS, continued*

On March 17, 2006, DFS entered into a concession agreement with the Authority for additional store space for a five year term which expired in 2011, but the concession continues on a month-to-month basis until a new agreement is finalized. Effective fiscal year 2011, DFS entered into another concession agreement with the Authority for a separate additional store space for a five year term. For each of these agreements, DFS guarantees to pay a minimum annual rent of \$250,000 during each lease year, or the percentage rent which is 22.5% of annual gross revenues for each lease year, whichever amount is greater.

Concession fee income for the years ended September 30, 2011 and 2010 includes \$2,125,392 and \$1,521,595 of percentage rent income in excess of the minimum guarantee and additional rent on the DFS lease, respectively.

The future minimum lease receipts under the remainder of the Concession Agreements as of September 30, 2011 are as follows:

Year ending <u>September 30,</u>	
2012	\$4,750,000
2013	1,617,000
2014	<u>244,000</u>
Total minimum lease payments receivable	<u>\$6,611,000</u>

*Pac Air Properties, LLC*

Effective February 22, 2008 (Commencement Date), the Authority and Pac Air Properties, LLC (Pac Air) agreed to amend and restate its existing ground lease agreement dated October 31, 2006 in its entirety. The new agreement has an initial lease term of fifty (50) years beginning on the commencement date, 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. The Authority shall waive rental payments during the construction phase but no later than the first two (2) years from the initial term of the lease. Beginning on the date of beneficial occupancy, the date which marks the end of the construction phase and the waiver of rent, the monthly rent shall amount to \$21,600 but payment of such rent shall be deferred for the next five (5) years, at such time the deferred rent shall be paid 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. For the years ended September 30, 2011 and 2010, the Authority accrued rental income totaling \$259,200 and \$280,800, respectively and is included as a component of rental income in the accompanying statements of revenues, expenses and changes in net assets.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**8. Leases, continued**

*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, 2011 and are extended until September 30, 2016. Other ground lease agreements will expire ranging from September 2015 until in September 2035. The lease agreements with six rent-a-car companies will expire in June 2016.

The future minimum rentals on noncancellable operating leases (excluding the DFS lease described above) as of September 30, 2011 are as follows:

Year ending September 30,	
2012	\$ 6,910,000
2013	5,442,000
2014	5,220,000
2015	4,904,000
2016	4,514,000
Thereafter	<u>26,560,000</u>
Total future minimum lease payments receivable	<u>\$53,550,000</u>

**9. Long-Term Liabilities**

A summary of changes in long-term liabilities during fiscal years 2011 and 2010 follows:

	Outstanding September 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2011</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued sick leave	\$ 131,884	\$ 38,664	\$ ---	\$ 170,548	\$ ---	\$ 170,548
Accrued annual leave	1,019,554	---	29,587	989,967	322,389	667,578
2003 General revenue bonds	<u>173,648,434</u>	<u>---</u>	<u>8,744,295</u>	<u>164,904,139</u>	<u>9,095,000</u>	<u>155,809,139</u>
	<u>\$174,799,872</u>	<u>\$ 38,664</u>	<u>\$8,773,882</u>	<u>\$166,064,654</u>	<u>\$9,417,389</u>	<u>\$156,647,265</u>

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

**9. Long-Term Liabilities, continued**

	Outstanding September 30, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2010</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued sick leave	\$ 103,462	\$ 28,422	\$ ---	\$ 131,884	\$ ---	\$ 131,884
Accrued annual leave	945,674	73,880	---	1,019,554	292,099	727,455
2003 General revenue bonds	<u>182,008,999</u>	<u>---</u>	<u>8,360,565</u>	<u>173,648,434</u>	<u>8,625,000</u>	<u>165,023,434</u>
	<u>\$183,058,135</u>	<u>\$102,302</u>	<u>\$8,360,565</u>	<u>\$174,799,872</u>	<u>\$8,917,099</u>	<u>\$165,882,773</u>

**10. 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 at no cost. 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 environmental response actions addressing specific groundwater contamination even if the cost of the response actions exceeds the \$10 million received from the Navy. The Authority's management has received the final draft of the 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 is the remedial alternative 3. It calls for extraction and treatment at Well NAS-1 and future wells, if necessary, and natural attenuation. The 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 final draft of the DD is presently being reviewed by the Authority and the FAA.

The Authority's responsibilities under the draft DD are limited to sampling and testing as currently performed. The new task is for the Authority to conduct a 5 year review to ensure the remedial action is or will be protective of human health and the environment. This new task may reduce the ongoing sampling and testing requirements or completely eliminate them. Moreover, 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 balance of the \$10 million received from the Navy, although reprogrammed to the Capital Improvement Fund, will remain as a contingent unencumbered sum to pay for future sampling and testing requirements and any potential improvements under the Environmental Services Cooperative Agreement that was not constructed under the Authority's water system.

# Antonio B. Won Pat International Airport Authority, Guam

## Notes to Financial Statements, continued

### **10. Commitments and Contingencies, continued**

#### *Environmental Response Actions, continued*

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, 2011, 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 totaled \$454,568. At September 30, 2011 and 2010, future pollution remediation and monitoring costs totaling \$454,568 and \$671,044, respectively, is reflected as a component of other current liabilities in the accompanying statements of net assets.

#### *Federal Program Costs*

The Authority receives, on a reimbursement basis, grants from the U.S. Government for certain capital construction projects primarily through the Airport Improvement Program (AIP). 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.

As discussed in Note 4, on September 30, 2005 the Authority received a parcel of land with an appraised value of \$2,530,000 from the Government of Guam, which represented reimbursement to the Authority for questioned costs totaling \$564,702 as of September 30, 2004, that the FAA requested for reimbursement.

As of September 30, 2011, questioned costs estimated to be at approximately \$50,000 was identified based on the construction costs of interconnections as reported by an independent engineer during their review of the design and construction of the Authority's water system based on the grant applications submitted to the FAA.

As of September 30, 2010, there were no unresolved questioned costs.

#### *Commitments*

The Authority has commitments of about \$10.8 million under several construction contracts at September 30, 2011.

In addition, the Authority has commitments under other various contracts totaling approximately \$15.7 million at September 30, 2011.

#### *Insurance*

The Authority has adopted a policy of self-insuring its facilities for earthquake and typhoon damage. The Authority has also adopted a policy of maintaining a deposit of \$1 million annually, in the Self-Insurance Fund to cover self-insured damage in the event of a natural catastrophe. The balances in the Renewal and Replacement Fund and Self-Insurance Fund are \$1,000,000 and \$4,038,862, respectively, at September 30, 2011, and \$1,000,000 and \$5,112,952, respectively, at September 30, 2010. The Authority has a catastrophic insurance policy with coverage up to \$4 million as a supplement to the self-insurance.

# Antonio B. Won Pat International Airport Authority, Guam

## Notes to Financial Statements, continued

### **10. Commitments and Contingencies, continued**

#### *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.

On March 31, 2011, the Authority received an invoice from the Department of Administration (DOA) for payment of \$12,250,000, representing an annual assessment on the Authority of \$875,000 for years 1998 to 2011. The Authority is unable to recognize this invoice as a liability as it does not conform to the requirements of 5 GCA § 22421 as it is unclear how the annual contribution amount of \$875,000 allocated to the Authority was determined. This does not conform to the requirement that the Governor of Guam and the Authority's Board of Directors shall consult and decide on a formula. Moreover, the statute of limitation for prior year assessments is limited to three years.

Notwithstanding the requirements of 5 G.C.A. § 22421, the Authority is prohibited by its 2003 General Revenue Bonds Indenture (2003 Indenture) 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 2003 Indenture 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, 2011 and 2010. This position has been supported by legal determinations, past and present.

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. The Authority may also pay for an indirect cost allocation that is reasonable, transparent, calculated similarly for other governmental units and consistent with Attachment A to OMB Circular A-87 and the aforementioned FAA policy.

#### *Water System Infrastructure Upgrade*

During the year ended September 30, 2011, the Authority focused on 1) reviewing the independent pre-final engineering report and generating comments; 2) negotiating an operating and maintenance agreement with the Guam Waterworks Authority (GWA); and 3) securing the required permits from the Guam Environmental Protection Agency (GEPA) to start up operations of the new airport water system. Emphasis was placed on operating the system first to resolve fire protection issues with the Authority's facilities.

Notes to Financial Statements, continued

**10. Commitments and Contingencies, continued**

*Water System Infrastructure Upgrade, continued*

The Authority has submitted comments to the engineering report. An agreement with GWA has been negotiated and executed. The foregoing documents were submitted to the FAA and engineering firm. In December 2011, GEPA issued the required permits to operate the airport water system with full operation scheduled for January 2012. A revised engineering report was transmitted to the FAA in December 2011. All documentation is with the FAA for review. In accordance with the Authority's discussions with multi-level FAA officials in December 2010, subsequent discussions will be initiated in 2012 based on the additional information to resolve any open concerns from the FAA.

The Authority asserts that all costs associated with the airport water system are supported by adequate documentary evidence. Costs are reasonable as they result from bids, unit prices from bids or through negotiations with professional engineering firms. It remains inconclusive whether there was any possible material violation of a grant agreement or FAA regulation as of September 30, 2011 and 2010. This is supported by the September 2011 approval by the FAA on pending change orders and full funding draw down on the grant associated with the water system. Subsequent discussions with the FAA will result in a final determination. Accordingly, no liability, if any, has been recorded for this contingency as of September 30, 2011 and 2010.

*Litigation*

The Authority is involved in certain litigation inherent to its operations. Management is of the opinion that liabilities of a material nature will not be realized.

**11. Customs, Agriculture and Quarantine Inspection Services Charge**

During the years ended September 30, 2011 and 2010, 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.

At September 30, 2011 and 2010, the Authority recorded customs fees payable to the Treasurer of Guam totaling \$1,785,059 and \$2,153,590, respectively, for the above charges, of which \$1,443,800 and \$1,878,718, respectively, are reflected as customs fees, receivables in the accompanying statements of net assets. The fees are not reflected as an expense or revenue by the Authority.

## Other Financial Information



Antonio B. Won Pat International Airport Authority, Guam

Years ended September 30, 2011 and 2010

Schedule 1  
Facilities and Systems Usage Charges

	<u>2011</u>	<u>2010</u>
Arrival facilities	\$ 6,159,123	\$ 6,109,684
Departure facilities	6,046,101	6,225,493
Passenger loading bridge usage charge	3,366,254	3,547,283
Landing fees	2,567,747	2,643,417
Immigration	2,210,176	2,236,345
Public apron	1,394,782	1,515,323
Utility recovery and other fees	442,015	554,104
Fuel flowage fees	<u>158,956</u>	<u>155,562</u>
	<u>\$ 22,345,154</u>	<u>\$ 22,987,211</u>

Schedule 2  
Concession Fees

	<u>2011</u>	<u>2010</u>
General merchandise	\$ 7,194,836	\$ 6,326,954
Ground transportation	4,156,156	4,267,947
Car rental	931,949	931,766
Food and beverage	844,104	810,174
In-flight catering	666,213	679,358
Advertising	448,125	404,710
Money exchange	326,169	294,253
Parking lot	105,000	105,000
Other	<u>90,405</u>	<u>66,999</u>
	<u>\$ 14,762,957</u>	<u>\$ 13,887,161</u>

Schedule 3  
Rental Income

	<u>2011</u>	<u>2010</u>
Operating space:		
- Non-airline	\$ 3,749,467	\$ 2,730,298
- Airline	3,065,873	2,730,854
Other	1,913,090	1,706,783
Building and maintenance shop rentals	1,638,743	2,005,146
Cargo rentals	<u>251,357</u>	<u>241,716</u>
	<u>\$ 10,618,530</u>	<u>\$ 9,414,797</u>

Antonio B. Won Pat International Airport Authority, Guam

Years ended September 30, 2011 and 2010

Schedule 4  
Contractual Services

	<u>2011</u>	<u>2010</u>
Power	\$ 6,801,521	\$ 6,353,607
Repairs and maintenance	4,642,427	4,149,852
Professional services	2,707,369	3,519,540
Miscellaneous	1,812,624	464,180
Insurance	1,536,328	1,874,283
Utilities and telephone	713,819	704,574
Advertising and promotions	307,469	307,209
Travel/Training and Certifications	<u>140,870</u>	<u>131,406</u>
	<u>\$ 18,662,427</u>	<u>\$ 17,504,651</u>

Schedule 5  
Personnel Services

	<u>2011</u>	<u>2010</u>
Salaries and wages	\$ 10,295,803	\$ 9,728,359
Retirement contributions	2,652,311	2,403,493
Insurance	<u>796,090</u>	<u>623,246</u>
	<u>\$ 13,744,204</u>	<u>\$ 12,755,098</u>
Full-time employee count in September	<u>199</u>	<u>200</u>

Schedule 6  
Materials and Supplies

	<u>2011</u>	<u>2010</u>
Equipment and vehicle maintenance and supplies	\$ 410,289	\$ 333,945
Office and security supplies	148,729	126,535
Miscellaneous	118,481	105,487
Electrical and plumbing	101,520	87,788
Building maintenance and supplies	<u>46,602</u>	<u>58,815</u>
	<u>\$ 825,621</u>	<u>\$ 712,570</u>

Antonio B. Won Pat International Airport Authority, Guam

Year ended September 30, 2011

Schedule 7  
Insurance Coverage

<u>Name of Insurer</u>	<u>Policy</u>	<u>Risk Coverage</u>
Lloyd's of London	Airport Operations Liability	\$ 500,000,000
Lloyd's of London	Property Insurance	\$ 200,000,000
Lloyd's of London	Catastrophe Insurance	\$ 4,000,000
American Home Assurance Company	Directors & Officers Liability (Sublimit of \$1,000,000 for Employment Practices Liability)	\$ 4,000,000
Dongbu Insurance Company Ltd.	Automobile	\$ 2,000,000
National Union Fire Insurance Co. of Pittsburgh, PA	Workers' Compensation	\$ 1,000,000
American Home Assurance Company	Fidelity Insurance	\$ 1,000,000

Antonio B. Won Pat International Airport Authority, Guam

Schedule 8

Reconciliation of Historical Financial Results

	Year ended September 30,	
	<u>2011</u>	<u>2010</u>
Change in net assets:		
Revenues	\$ 55,940,480	\$ 54,081,400
Expenses	( <u>33,723,020</u> )	( <u>31,084,638</u> )
Income before depreciation	22,217,460	22,996,762
Depreciation	( <u>22,638,455</u> )	( <u>22,975,268</u> )
	( 420,995 )	21,494
Interest and other expenses	( 7,833,415 )	( 8,437,478 )
Transfer from the Government of Guam - OHS	78,063	60,731
Grants from the United States Government	<u>9,508,361</u>	<u>18,018,117</u>
Increase in net assets	<u>\$ 1,332,014</u>	<u>\$ 9,662,864</u>
Net Revenues (per Bond Resolution):		
Revenues	\$ 55,940,480	\$ 54,081,400
Operation and maintenance expenses	( <u>33,942,470</u> )	( <u>31,242,647</u> )
Net revenues available for debt service	<u>\$ 21,998,010</u>	<u>\$ 22,838,753</u>
Reconciliation:		
Change in net assets	\$ 1,332,014	\$ 9,662,864
Add back:		
Depreciation	22,638,455	22,975,268
Interest expense	7,343,883	7,947,785
Miscellaneous	( 158,156 )	( 154,957 )
Deduct:		
Capital grants from the United States Government	( 9,004,486 )	( 17,348,269 )
Interest income on funds related to construction	( <u>153,700</u> )	( <u>243,938</u> )
	21,998,010	22,838,753
Other available monies	<u>4,304,480</u>	<u>4,292,067</u>
Funds available for debt service	<u>\$ 26,302,490</u>	<u>\$ 27,130,820</u>
Debt Service*	<u>\$ 17,217,919</u>	<u>\$ 17,168,269</u>

\* - amounts of the aggregate annual debt service for such fiscal years as defined in the Bond Indenture Agreement.

Antonio B. Won Pat International Airport Authority, Guam

Schedule 9

Employee Data

Year ended September 30, 2011

<u>Department</u>	<u>Employees (b)</u>	<u>Personnel Services (a)</u>
Board	1	\$ 25,221
Administration	31 (c)	2,010,756
Property Management	9	705,520
Planning	2	136,893
Accounting	10	645,179
Engineering	3	220,223
Operations	19	1,232,477
Properties & Facilities Maintenance	40	2,108,179
Airport Police	54	3,711,735
Aircraft Rescue Fire Fighting	<u>30</u>	<u>2,948,021</u>
Total	<u><u>199</u></u>	<u><u>\$ 13,744,204</u></u>

Note(s):

- a. Expenditures are funded by Operating & Maintenance Fund Account.
- b. Filled positions, not including Limited Term Appointments related to Airport Police pursuant to Transportation Security Administration mandated.
- c. Administration consisted of:

Executive	2
Division Head	1
Administrative support	5
Safety	3
Audit and compliance	3
Personnel	4
Marketing	3
Procurement	7
Management Information System	<u>3</u>
	<u><u>31</u></u>