



*Financial Statements and
Other Financial Information*

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

*Years ended September 30, 2010 and 2009
with Report of Independent Auditors*

Ernst & Young

Antonio B. Won Pat International Airport Authority, Guam

Financial Statements and
Other Financial Information

Years ended September 30, 2010 and 2009

Contents

Report of Independent Auditors	1
Management's Discussion and Analysis	3
Audited Financial Statements	
Statements of Net Assets.....	21
Statements of Revenues, Expenses and Changes in Net Assets	23
Statements of Cash Flows	24
Notes to Financial Statements.....	26
Other Financial Information	
Schedules 1-9.....	51-55



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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, 2010 and 2009, 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, 2010 and 2009, 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 12, 2011, 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 20 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 12, 2011

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis

Year ended September 30, 2010

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, 2010. 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

FY 2010 was a year of recovery for the Authority and its airline partners. While the fallout of the global economic crisis settled, the airline industry reaped the benefits of its collective cost cutting efforts in FY 2009. The reduction in capacity worldwide led to more efficient aircraft utilization by airlines while driving yields upward. In addition, enhanced ancillary fee structures for checked baggage, food and other amenities resulted in stronger profitability for the airlines. Moreover, improved economic conditions have supported stronger market growth in most regions (with the exception of Europe) increasing overall airline financial performance within the industry.

According to the International Air Transport Association (IATA), the airline industry is expected to realize approximately \$15.1 billion in post tax profits for 2010. In addition, passenger activity is expected to increase worldwide by approximately 8.9% year-over-year in 2010, the largest growth coming from developing economies in the Asia-Pacific region and the Middle East of 15.5% and 21.5% respectively.

The current condition of the aviation and airline industry is reflected in the Authority's passenger activity as enplanements for FY 2010 amounting to approximately 1.5 million reveal a 15.3% increase (in-line with the Asia-Pacific region's passenger activity) year-over-year versus enplanement activity for FY 2009, which equaled over 1.3 million. This double-digit increase in passenger activity reversed the direction of the downward trend in enplanements the Authority had experienced since FY 2007 and was just 3.9% shy of FY 2006, its highest year of enplanement activity since 9/11, which equaled to approximately 1.53 million passengers.

IATA cautions that although the airline industry appears to be recovering to pre-2007 levels, recovery is expected to be moderate and reflect long-term growth trends rather than immediate spikes in passenger activity. Airlines must continue to remain vigilant managing their costs structures as well as the constant threat of higher oil prices. Furthermore, carriers must continuously monitor economic recovery in the major developed markets and remain on guard for any increases in government taxes and other charges as these non-airline operational increases could have an adverse impact on travel demand, further hamper industry recovery and undermine the role aviation has in promoting economic growth and socio-economic development in the communities they serve.

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

Activity for the Authority for the years ended September 30, 2010, 2009 and 2008 is as follows:

	2010	2009	2008	2010 % Increase (Decrease) from 2009
Major revenue sources:				
Landing fees (a)	\$ 2,643,417	\$ 1,218,711	\$ 898,065	116.9%
Terminal Lease	9,414,797	9,338,787	9,104,113	0.8%
Concessions and parking	<u>13,887,161</u>	<u>12,943,555</u>	<u>14,419,937</u>	7.3%
Total	<u>\$25,945,375</u>	<u>\$23,501,053</u>	<u>\$24,422,115</u>	10.4%
Passenger (enplanements) activity:				
Signatory airlines	1,446,896	1,281,018	1,377,538	12.9%
Other airlines	<u>9,979</u>	<u>24,191</u>	<u>65,272</u>	-58.7%
Total enplanements	<u>1,456,875</u>	<u>1,305,209</u>	<u>1,442,810</u>	11.6%
Aircraft operations	<u>44,426</u>	<u>40,276</u>	<u>39,299</u>	10.3%
Aircraft landed weights (000,000)	<u>3,169,573</u>	<u>3,017,815</u>	<u>3,322,467</u>	5.0%
O & D passengers	2,570,240	2,322,422	2,515,003	10.7%
Transfer passengers	<u>183,430</u>	<u>146,457</u>	<u>189,041</u>	25.2%
Total passengers	<u>2,753,670</u>	<u>2,468,879</u>	<u>2,704,044</u>	11.5%

Note (s):

(a) Landing fees:

FY08 signatory = reinstated landing fees 04/08 – 07/08

Notwithstanding the increase in enplaned passenger activity, the Authority was resolute in its efforts to maintain a low-cost business model for its airline partners. The Authority continuously monitors and manages its operating expenses while relentlessly working to diversify and enhance its revenue streams. The Authority remains proactive in administering its fiduciary responsibilities, proceeding only with capital improvement projects (CIP) and infrastructure improvements that would increase airport activities, maximize airport capacity, enhance security, or are federally funded.

The Authority's cost per enplaned passenger (CPE), which is a method used by airlines to measure its total cost of operations at an airport, amounted to approximately \$16.90 for FY 2010. This was in-line with the Authority's budgeted projection of \$16.87 and reflects a 10.5% increase in comparison to FY 2009's figure of \$15.29.

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

C. Authority Activities and Highlights, continued

While the Authority's CPE appears to be relatively high by U.S. airports standards, 90% of passenger activity that passes through Guam is international traffic from origin and destination (O&D) markets. Another method that may be used would be the turnaround charge approach. This method is expressed as the cost to turn an aircraft on a per-enplaned passenger basis. Only aeronautical costs associate with the operations or activities of an aircraft are assessed. Considering the composition of its traffic, the Authority's CPE is in-line with other U.S. airports that handle international passengers. Using the turnaround methodology, the Authority's rates and charges are comparable and competitive to other international airports within the region.

The increase in passenger activity for FY 2010 has had a positive impact on the Authority's financial performance, particularly its 1.25 Debt Service Coverage (DSC) requirement under the 2003 Bond Covenants. The Authority achieved a healthy 1.58 DSC which reflects an 18.8% increase year-over-year in comparison to FY 2009's figure of 1.33. The Authority has consistently met its DSC year-over-year notwithstanding the numerous economic challenges Guam has faced throughout the years.

The following airlines served the Authority with scheduled or chartered overseas passenger flights for FY 2010:

Continental Micronesia, Delta Airlines (formerly Northwest Airlines), All Nippon Airways, China Airlines, Japan Airlines, Korean Airlines, Philippine Airlines, Asia Pacific Airlines, Jin Air, PacificFlier, 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 the Northern Marianas Islands are Cape Air and Freedom Air. Micronesian Aviation Systems is a general aviation operator based at the A.B. Won Pat Guam International Airport.

D. Financial Operation Highlights

Operational Revenues

FY 2010 started off with strong optimism as fuel prices stabilized and passenger activity reflected an upswing in the first quarter of the fiscal year. In direct correlation to the increase in passenger activity, the Authority's financial performance reflects an increase in its operational revenues which amounted to approximately \$47.1 million for FY 2010. This was a 12.9% increase year-over-year in comparison to FY 2009's figure of \$41.7 million. The Authority's aggressive pursuit of its revenue enhancement initiatives has been successful in increasing non-airline revenues through new or expanded commercial opportunities and property development.

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

Operational Revenues, continued

In addition, the Authority effectively managed its airline incentive program minimizing additional losses in seat capacity or suspension of services to markets served into Guam. These incentives provided up to 50% discounts on the Authority's rates and charges that comprise the CPE on new or expanded air services or activity that exceeds 10% of the respective forecasted airline activity.

The additional increase in airline activity generated approximately \$23 million in facilities and use charges, accounting for 31.9% of the Authority's combined operating and non-operating revenue and capital grants. This was a 29.2% increase year-over-year amounting to almost \$5.2 million more in operating revenue compared to the \$17.8 million collected in FY 2009. Landing fees of \$2.6 million more than doubled the \$1.2 million collected for FY 2009. In addition, Passenger Loading Bridge revenue was up 110% amounting to approximately \$3.5 million versus \$1.7 million for FY 2009.

Concession revenues for FY 2010 which equaled to approximately \$13.9 million, accounted for 19.2% of the Authority's combined operating and non-operating revenue and capital grants. While this reflects an increase of 7.3% year-over-year in comparison to FY 2009, the remnants of the global economic crisis still lingered in FY 2010 as average spend per passenger enplanement decreased 3.9% from \$9.92 to \$9.53 per passenger. General Merchandise concessions which increased by 3.3% year-over-year from \$6.1 million to \$6.3 million, reflects a 6.7% decrease in the average spend per passenger of \$4.34 in FY 2010 versus \$4.65 in FY 2009.

Rental income, which accounted for 13% of the Authority's combined operating and non-operating revenue and capital grants, had a slight uptick year-over-year, up .8% from \$9.3 million in FY 2009 to \$9.4 million in FY 2010.

Passenger Facility Charge (PFC) collections reflect a direct correlation with enplanement activity as collections for FY 2010 amounted to approximately \$5.7 million, up 11.9% versus FY 2009 figure of \$5.06 million.

Operational Expenses

In addition to revenue enhancement initiatives and diversification of non-airline revenues, the Authority continually strives to maintain a low-cost structure for its airline partners by conscientiously managing its operating expenses. FY 2010 was a challenging year as operational expenses increased 5.3% to \$31.08 million from \$29.5 million in FY 2009 and exceeded budgeted projections of \$29.7 million by 4.6%.

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

Operational Expenses, continued

Contractual services increased 7.8% year-over-year and accounted for 55.8% of the Authority's operational expenses. Power costs and added loading bridge maintenance were the main cost components of this increase. Personnel expenses for FY 2010 amounting to \$12.75 million increased by .4% and accounted for 41% of the Authority's operational expenses. In April 2010, the Authority paid out approximately \$894 thousand as an interim action to compensate the Authority's certified, technical and professional positions.

Rounding out the expenses for FY 2010 include \$879 thousand for equipment, materials and supplies. This amount represents 2.8% of the Authority's operational expenses and reflects a 28.4% increase from \$684 thousand in FY 2009.

Grant Funding

In FY 2010, the Authority received \$18.01 million in grant funding from the various federal entities such as the FAA, the Environmental Protection Agency, the Economic Development Agency, and the Department of Interior. These federal funds were used to finance the Authority's CIP projects to improve utilities and infrastructure and increase the capacity and development of Guam's only commercial airport. Moreover, it provided for training and helped spur economic activity on the island.

The implementation of the Authority's revenue enhancement initiatives; effective administration of its fiduciary responsibilities; and tenacious pursuit of federal funding sources have resulted in an increase in the Authority's net assets by \$9.7 million for FY 2010. 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.

Review of Notable Events in FY 2010

State of the Aviation Industry

FY 2010 was a much improved year for the airline industry, particularly in the Asia-Pacific region. However, the aviation industry continues to remain in a state of flux, leaving airlines to carry over their cost cutting measures from FY 2009, closely managing their capacity in order to increase load factors in the hopes of increasing yields, while right-sizing their workforce and streamlining their operations in an effort to maintain services and seat capacity into their respective markets. Other key notable events of FY 2010 include the final consolidation of Northwest and Delta Airlines, and the announcement of the Continental and United Airlines merger which will make them the world's largest airline.

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 2010, continued

State of the Aviation Industry, continued

Locally, the announcement of Japan Airlines' bankruptcy and subsequent reorganization was another challenge the Authority faced, especially after Japan Airlines suspended regular scheduled services from Nagoya and one of their daily flights to Narita service to Osaka, Japan. These actions and the actions taken by All Nippon Airways to suspend service to Osaka, Japan, further decreased seat capacity in the market. Fortunately, Continental Airlines, Delta Airlines and Korean Air were positioned to begin services from or through the Japan markets that were recently vacated by Japan Airlines and All Nippon Airways, minimizing the amount of seats that could have been lost.

Air Service Development

Conversely, the excess capacity in the global market boded well for the Authority as new air carriers such as Jin Air, Skymark Airlines and PacificFlier, looking for opportunities to increase their aircraft utilization, initiated service into Guam. Jin Air, which operates as a low cost carrier model and is a subsidiary of Korean Air, seems to compliment the Korean market by catering to a different type of passenger. Skymark Airlines, one of Japan's first low cost carriers, initiated charter service into Guam in August 2010. These new airlines are a testament to the Authority's commitment to its air service development initiatives.

Property Development

In FY 2010, the Authority continued to focus on diversifying its non-airline revenue streams and other revenue enhancement initiatives to further contain costs for its airline partners. These initiatives are in-line with the Authority's Integrated Strategic Plan that was implemented in FY 2008. Many of these projects have been initiated or completed. They include the following:

- Pacair Properties Integrated Air Cargo Facility
 - 166,000 square feet
 - \$26.5 million investment (Third Party Development)
 - Completed August 2009/DBO October 2009
- MSA Logistics Multi-Modal Cargo Facility
 - 20,000 square feet
 - \$2.1 million (Third Party Development)
 - Completed February 2010/DBO August 2010
- CTSI Air Cargo Facility
 - 35,000 square feet
 - \$4 million (Third Party Development)
 - Completed September 2010/DBO September 2010

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 2010, continued

Property Development, continued

The investments in these properties are expected to generate \$35.5 million in revenue for the Authority over the next 20-30 years. Moreover, they will contribute to the Authority's continued efforts for the development of air cargo and other airport or aviation related facilities in the Tiyan Business Park and Airport Industrial Park areas. Both areas are ready for development with utility infrastructure such as power and water already in place.

Passenger Amenities and Activities

The Authority focused on improving customer amenities in FY 2010 by providing new and innovative activities to offer to the traveling public. The Authority's stakeholders invested \$1 million in its Sagan Bisita passenger lounge operated by Delta Airlines and LSG Lufthansa Guam, Inc., which features world-class accommodations, and offers wireless internet access, flat screen televisions, a self-serve food buffet with a wide variety of beverages and coffee along with on-site conference and meeting room facilities. Washrooms and full shower facilities are also available. This investment is expected to generate \$275 thousand a year for the Authority.

In addition, "Marc" by Marc Jacobs was added to the DFS concession boutiques; Sony and Bestseller were relocated to improved and visible kiosks; and Ben & Yan was added to its food and beverage mix.

Other notable activities include initial upgrades to the Authority's restroom facilities, carpet replacement and loading bridge improvement. With these customer-centric developments, more passengers will be able to avail themselves to comfortable, convenient facilities and amenities as they wait to board their flights from Guam.

Notable Projects

The Authority has also embarked on a Geographic Information System (GIS) survey that will provide key data and information of Guam's only commercial airport and lifeline to its tourism driven economy. In addition, the Authority has enlisted the services of an Energy Management consultant to help develop its Energy Savings Program to help minimize operational expenses through the introduction and implementation of sustainable practices and technology.

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 2010, continued

Notable Projects, continued

The Authority has embarked on its 2010 Master Plan Update, a key project that will enable the Authority to address its critical needs and fully assess its facility requirements taking into account the federal government's initiative to relocate 8,000 military personnel and their dependents to Guam from Okinawa by 2014. The influx of residents to Guam is expected to exceed 79,000 people, equivalent to 40-50% rate that would normally take place over a twenty year period, is expected to take place within the next four years. This Master Plan Update will provide the Authority with a roadmap to guide its development and protect an essential facility to the island's tourism driven economy while supporting the U.S. Government's initiatives. The Authority's objective is to ensure they exceed the expectations of the aviation industry by providing key services and amenities at competitive rates while setting the "standard for excellence" as a world class airport and premier aviation hub in the region.

The Authority remains committed to only undertaking projects that are essential to the Authority's overall mission or are federally funded. The following are key projects initiated or completed in FY 2010:

- Extension of Runway 24R 1,000 Feet
- Construction of Parallel Taxiway Pavement
- Improve Utility Infrastructure, Water System
- Utility Power Hardening For Critical Airport Facilities - Design
- TSA Consolidated Spaces
- Terminal Plumbing – Renovations and Repair
- Master Plan Update
- RWY 6L/24R Rehabilitation and Reconstruction Design
- New ILS RWY 6L
- Residential Sound Solutions Program (Noise Mitigation Program)
- Geographic Information System Survey (GIS) - RFP
- Improved Signage
- Air Conditioning Improvements
- Upgraded Food Court
- Energy Management and Alternative Energy Program - RFP

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 2010, continued

Financial Position Summary

A condensed summary of the Authority's statements of net assets at September 30, 2010, 2009 and 2008 is shown below:

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	2010 % Increase (Decrease) from 2009
Current assets:				
Unrestricted current assets	\$ 12,164,255	\$ 12,788,685	\$ 16,837,815	-4.9%
Restricted current assets	2,036,006	1,200,886	1,167,629	69.5%
Non-current assets:				
Unrestricted assets	21,972,719	24,205,868	28,994,473	-9.2%
Restricted assets	32,415,162	32,203,768	31,519,267	0.7%
Capital assets	413,838,006	406,146,241	395,819,817	1.9%
Avigation easements	13,994,340	15,003,688	---	-6.7%
Deferred bond issue costs	<u>6,256,409</u>	<u>7,107,208</u>	<u>8,061,495</u>	-12.0%
Total assets	<u>\$502,676,897</u>	<u>\$498,656,344</u>	<u>\$482,400,496</u>	0.8%
<u>LIABILITIES</u>				
Current liabilities:				
Payable from unrestricted assets	\$15,926,850	\$13,744,688	\$ 14,480,315	15.9%
Payable from restricted assets	15,050,224	14,211,456	13,429,530	5.9%
Long term liabilities	<u>165,882,773</u>	<u>174,546,014</u>	<u>182,703,089</u>	-5.0%
Total	<u>196,859,847</u>	<u>202,502,158</u>	<u>210,612,934</u>	-2.8%
<u>NET ASSETS</u>				
Invested in capital assets – net of related debt	260,440,321	246,248,138	214,405,761	5.8%
Restricted	28,025,944	27,428,198	26,592,366	2.2%
Unrestricted	<u>17,350,785</u>	<u>22,477,850</u>	<u>30,789,435</u>	-22.8%
Total	<u>305,817,050</u>	<u>296,154,186</u>	<u>271,787,562</u>	3.3%
Total liabilities and net assets	<u>\$502,676,897</u>	<u>\$498,656,344</u>	<u>\$482,400,496</u>	0.8%

The Authority's investments in capital assets net of related debt make up 85.16% 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 are from revenues received annually from operations as specified in the 2003 Airport Bonds Indenture. In FY 2010, the Authority recorded approximately \$14 million in avigation easements, which grant aircraft the right to fly, land, or take off in unobstructed airspace above a parcel of real property. These easements prohibit property owners from installing structures that exceed a specified height and provides for outcomes typically associated with aircraft by allowing for the right to make and generate noise and other aircraft activities near or around the Antonio B. Won Pat Guam International Airport.

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

Airline Signatory Rates and Charges

The Authority entered into an airport-airline 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. These leases became effective October 1, 2006 and will remain in effect through September 30, 2011.

Revenues

A summary of revenues for the years ended September 30, 2010, 2009 and 2008 and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2010</u>	<u>2010</u> <u>%</u> <u>of Total</u>	<u>2009</u>	<u>2009</u> <u>%</u> <u>of Total</u>	<u>2008</u>	<u>2008</u> <u>%</u> <u>of Total</u>	<u>2010</u> <u>% Increase</u> <u>(Decrease)</u> <u>from 2009</u>
Operating:							
Facilities and systems usage charges:							
Arrival facilities	\$ 6,109,684	8.5%	\$ 5,387,772	6.4%	\$ 5,416,560	6.8%	13.4%
Departure facilities	6,225,493	8.6%	5,326,503	6.3%	5,528,596	7.0%	16.9%
Immigration	2,236,345	3.1%	1,937,884	2.3%	1,717,703	2.2%	15.4%
Public apron	1,515,323	2.1%	1,804,241	2.1%	2,152,654	2.7%	-16.00%
Passenger loading bridge	3,547,283	4.9%	1,689,336	2.0%	2,121,589	2.7%	110.0%
Landing fees	2,643,417	3.7%	1,218,711	1.4%	898,065	1.1%	116.9%
Utility recovery charge and other fees	554,104	0.8%	290,131	0.3%	276,099	0.3%	91.0%
Fuel flowage fee	<u>155,562</u>	<u>0.2%</u>	<u>142,507</u>	<u>0.2%</u>	<u>189,833</u>	<u>0.2%</u>	<u>9.2%</u>
Total facilities and systems usage charges	<u>22,987,211</u>	<u>31.9%</u>	<u>17,797,085</u>	<u>21.0%</u>	<u>18,301,099</u>	<u>23.0%</u>	<u>29.2%</u>
Concession fees:							
General merchandise	6,326,954	8.8%	6,064,436	7.2%	6,985,111	8.8%	4.3%
Ground transportation	4,267,947	5.9%	3,870,031	4.6%	4,360,587	5.5%	10.3%
Car rental	931,766	1.3%	910,220	1.1%	937,712	1.2%	2.4%
Food and beverage	810,174	1.1%	707,835	0.8%	729,385	0.9%	14.5%
In-flight catering	679,358	0.9%	589,956	0.7%	574,992	0.7%	15.2%
Other	<u>870,962</u>	<u>1.1%</u>	<u>801,077</u>	<u>0.9%</u>	<u>832,150</u>	<u>1.0%</u>	<u>8.7%</u>
Total concession fees	<u>13,887,161</u>	<u>19.1%</u>	<u>12,943,555</u>	<u>15.3%</u>	<u>14,419,937</u>	<u>18.2%</u>	<u>7.3%</u>
Rental income:							
Operating space - airline	2,730,854	3.8%	2,754,459	3.3%	2,780,608	3.5%	-0.9%
Operating space - non-airline	2,730,298	3.8%	2,997,093	3.5%	2,398,254	3.0%	-8.9%
Other	<u>3,953,645</u>	<u>5.5%</u>	<u>3,587,235</u>	<u>4.2%</u>	<u>3,925,251</u>	<u>5.0%</u>	<u>10.2%</u>
Total rental income	<u>9,414,797</u>	<u>13.1%</u>	<u>9,338,787</u>	<u>11.0%</u>	<u>9,104,113</u>	<u>11.5%</u>	<u>0.8%</u>
Miscellaneous	<u>840,907</u>	<u>1.1%</u>	<u>1,651,198</u>	<u>2.0%</u>	<u>75,840</u>	<u>0.1%</u>	<u>-49.1%</u>
Total operating	<u>47,130,076</u>	<u>65.2%</u>	<u>41,730,625</u>	<u>49.3%</u>	<u>41,900,989</u>	<u>52.8%</u>	<u>12.9%</u>
Non-Operating:							
Interest income	1,282,807	1.8%	1,468,089	1.7%	1,978,585	2.6%	-12.6%
Passenger facility charge	5,668,517	7.9%	5,064,667	6.0%	5,479,217	6.9%	11.9%
Grants from the U. S. Government	18,018,117	25.0%	36,261,526	42.9%	29,928,541	37.7%	-50.3%
Transfer from Government of Guam - OHS	<u>60,731</u>	<u>0.1%</u>	<u>30,095</u>	<u>0.1%</u>	<u>---</u>	<u>---</u>	<u>101.8%</u>
Total non-operating	<u>25,030,172</u>	<u>34.8%</u>	<u>42,824,377</u>	<u>50.7%</u>	<u>37,386,343</u>	<u>47.2%</u>	<u>-41.6%</u>
Total revenues	<u>\$72,160,248</u>	<u>100.0%</u>	<u>\$84,555,002</u>	<u>100.0%</u>	<u>\$79,287,332</u>	<u>100.0%</u>	<u>-14.7%</u>

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

D. Financial Operation Highlights, continued

Revenues, continued

Grants from the United States Government amounted to approximately \$18.01 million for FY 2010. The majority of monies will be used for airfield and aviation infrastructure improvements and security enhancement projects.

Expenses

	<u>2010</u>	2010 % of Total	<u>2009</u>	2009 % of Total	<u>2008</u>	2008 % of Total	2010 % Increase (Decrease) from 2009
Operating:							
Contractual services	\$17,338,311	27.7%	\$16,086,870	26.7%	\$16,580,429	27.4%	7.8%
Personnel services*	12,755,098	20.4%	12,706,013	21.1%	11,399,538	19.8%	0.4%
Materials and supplies	878,910	1.4%	684,259	1.1%	1,205,169	2.0%	28.4%
Bad debt expense	<u>112,319</u>	<u>0.2%</u>	<u>34,889</u>	<u>0.1%</u>	<u>551,420</u>	<u>0.9%</u>	221.9%
Total operating expenses	<u>31,084,638</u>	<u>49.7%</u>	<u>29,512,031</u>	<u>49.0%</u>	<u>29,736,556</u>	<u>50.1%</u>	5.3%
Depreciation and amortization	<u>22,975,268</u>	<u>36.8%</u>	<u>21,797,415</u>	<u>36.2%</u>	<u>21,440,046</u>	<u>35.4%</u>	5.4%
Non-Operating:							
Interest expense	7,947,785	12.7%	8,339,935	13.9%	8,580,584	14.2%	-4.7%
Other expenses	<u>489,693</u>	<u>0.8%</u>	<u>538,997</u>	<u>0.9%</u>	<u>247,238</u>	<u>0.3%</u>	-9.1%
Total non-operating expenses	<u>8,437,478</u>	<u>13.5%</u>	<u>8,878,932</u>	<u>14.8%</u>	<u>8,827,822</u>	<u>14.5%</u>	-5.0%
Total expenses	<u>\$62,497,384</u>	<u>100.0%</u>	<u>\$60,188,378</u>	<u>100.0%</u>	<u>\$60,004,424</u>	<u>100.0%</u>	3.8%
Total full time employees	200		205		204		

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

The cost per enplaned passenger (CPE) is one method used by airlines to measure its total cost of operations at an airport. For FY 2010, the Authority's CPE amounted to \$16.90, in-line with the budgeted projection of \$16.87 and 10.5% increase in comparison to FY 2009's figure of \$15.29. In spite of the increase, the Authority's CPE remained 12.1% below the Authority's record high of \$19.22 in FY 2003. The Authority's cost per enplaned passenger year-over-year has remained well within the range of \$14.87 to \$24.70 projected by Leigh Fisher and Associates as reflected in the Authority's Official Statement for the 2003 Bond Indenture.

	<u>2010</u>		<u>2009</u>		<u>2008</u>	
	<u>Actual</u>	<u>% of Totals</u>	<u>Actual</u>	<u>% of Totals</u>	<u>Actual</u>	<u>% of Totals</u>
Airport Revenues						
Signatory Airline rentals & fees	\$24,452,297	44.8%	\$19,587,139	40.1%	\$18,674,795	37.9%
Revenues from sources other than Signatory Airline rentals and fees	23,717,183	43.5%	23,294,854	47.7%	24,755,339	50.2%
Passenger Facility Charge revenue	5,668,517	10.4%	5,064,667	10.4%	5,479,217	11.1%
Operating grants from U.S. Government	<u>730,579</u>	<u>1.3%</u>	<u>873,026</u>	<u>1.8%</u>	<u>390,389</u>	<u>0.8%</u>
Airport Revenues	<u>\$54,568,576</u>	<u>100%</u>	<u>\$48,819,686</u>	<u>100%</u>	<u>\$49,299,740</u>	<u>100%</u>
		<u>% Change</u>		<u>% Change</u>		
Signatory Airline enplane passengers	1,446,896	12.9%	1,281,018	-7.0%	1,377,538	
Signatory Airline cost per enplaned passenger	\$16.90	10.5%	\$15.29	12.8%	\$13.56	

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 funds available for debt service over annual debt service. The Authority does not anticipate assumption of any new debt to fund its capital improvement projects and has managed to consistently meet its debt service requirements year-over-year even in the face of economic adversity.

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

E. Cost Per Enplaned Passenger & Debt Service Coverage, continued

A summary of the cost per enplaned passenger and debt service coverage for the years ended September 30, 2010, 2009 and 2008, and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	2010 % Increase (Decrease) from 2009
Airport Revenues	\$54,568,576	\$48,819,686	\$49,299,740	11.8%
Less: Operation and Maintenance Expenses	(31,729,823)	(30,401,047)	(30,154,697)	4.4%
Net Revenues	\$22,838,753	\$18,418,639	\$19,145,043	24.0%
Plus: Other Available Moneys	<u>4,292,067</u>	<u>4,282,905</u>	<u>4,142,767</u>	0.2%
Net Revenues and Other Available Moneys	<u>\$27,130,820</u>	<u>\$22,701,544</u>	<u>\$23,287,810</u>	19.5%
<u>Rate Covenant</u>				
Net Revenues and Other Available Moneys	\$27,130,820	\$22,701,544	\$23,287,810	19.5%
Total Annual Debt Service	\$17,168,269	\$17,131,619	\$16,571,069	0.2%
Annual Debt Service Coverage	1.58	1.33	1.41	18.8%
Debt service coverage requirement	1.25	1.25	1.25	0.0%

F. Outlook for FY 2011

The outlook for FY 2011 is an air of optimism for recovery as passenger activity increased 14.4% during the first two months of the fiscal year amounting to approximately 229,000 enplanements versus the 200,000 in FY 2010. While growth globally is expected to be slow and gradual, the Asia-Pacific region is expected to be one of the most profitable regions in the industry according to IATA.

The Authority expects to exceed forecasted traffic as short-haul destinations remain popular, the currency exchange rates with a weaker dollar continues to be a bargain for our visitors and there are more holidays this year that connect with a week-end.

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

F. Outlook for FY 2011, continued

The Authority will work closely with its airline partners to contain operational cost and has projected \$16.83 as the CPE for FY 2011. By maintaining a low cost structure and reasonable airport rates and charges, the Authority hopes to increase airline activity that ultimately translates into increased operating revenue through its concessions. The Authority is confident in its ability to fulfill the 1.25 debt service requirement of the 2003 Bond Covenants and projects to achieve debt service coverage of 1.40 for FY 2011.

Air Service Development

The Authority remains committed to its air service development initiatives and is aggressively pursuing route development programs with existing carriers while pursuing other regional airlines to introduce additional or new air services into Guam. The Authority anticipates an influx of charters during the upcoming holiday seasons such as New Years, Golden Week, and Oban.

Guam's is well positioned geographically due to its close proximity to major Asia economies, most especially the emerging markets such as China and India where economic growth is much higher than other regions. Particularly with the more liberal aviation agreements being negotiated that would provide greater market access to airlines and more choices for passengers. Moreover, the LCC phenomena that is sweeping Asia as well as the rest of the globe places the island within the four (4) hour flight time most LCC's business models operate within.

Continental has been steadily increasing their service and frequencies into the Japan market. Korean Air is looking to add an additional flight via Osaka, Japan. Both airlines along with China Airlines have already announced increase charter activities for these periods. In addition, the Authority anticipates more activity for LCC Japan-based carrier, Skymark Airlines, which began service in August 2010 and will continue to operate on a charter basis from Haneda International Airport.

Regulatory Issues

The Authority faces challenges with regards to federal inspection service agencies from the U.S. Department of Homeland Security, notably the immigration officers under the Customs and Border Protection agency and the Transportation Security Administration (TSA). The Authority is acutely aware the challenges faced by our visitors which sometimes take longer to process through these agencies than the flight time it took to get to Guam.

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

F. Outlook for FY 2011, continued

Regulatory Issues, continued

The Authority has been working closely with these agencies to improve service levels and processing times. The Authority along with the Guam Visitors Bureau has been proactive with the "3/30" initiatives, which focuses on 3 hours flight times to Guam and 30 minutes processing through Immigration and Customs. To facilitate this effort, the Authority has increased the number of "Airport Ambassadors" to assist in the processing of passengers and provide translation services particularly in the Immigrations Hall. Additionally, the Authority is working to get signage that is easy to understand.

With regards to the TSA, the Authority is expecting the implementation of the Advance Imaging Technology (AIT) scanners sometime in the beginning of 2011. This technology has been in use since 2007 and is becoming more and more accepted worldwide. The AIT technology is improving the amount of time it takes to process and screen passengers. The TSA is aware of the public's perception with regards to privacy and has gone through great efforts to ensure the utmost privacy of the travelling public.

Capital Improvement Program

In light of the turbulent operating environment the airline industry has experienced over the last few years, the Authority will proceed cautiously and will only initiate capital improvement projects that are mission essential, would increase airport activities, maximize airport capacity, enhance security, or are federally funded. This includes; upgrades to the airfield that would improve and expand capacity with runway extensions and construction of a parallel taxiway; security enhancements and upgrades to the airfield, terminal and cargo facilities; roadway system design; utility improvements to water and electrical distribution systems; customer service and passenger facilitation improvements; and property development enhancements that would encourage economic activity for Guam.

Completion of the Authority's parallel taxiway and the extension of its two operational runways to 10,000 and 12,000 feet respectively, are critical and would be completed in FY 2011. This would increase airfield capacity and allow for non-stop transpacific travel to become a reality. In addition, two of our four runway approaches will have state-of-the-art instrument landing systems (ILS) making Guam's airport one of the safest to land on in the region. Moreover, the Authority is soliciting proposals for management of its fuel system operations that includes repairs, upgrades and renovations to a critical infrastructure that is an integral part of airport operations.

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

F. Outlook for FY 2011, continued

Facility Improvements

In addition to the Authority's restroom upgrades, other projects include implementation of a new Flight Information Display System (FIDS), passenger seating which will be professionally cleaned or replaced as needed, installation of new carpeting, and replacement of airport interior/exterior lighting. GIAA will ensure modernization of this key essential facility to Guam's tourism-driven economy and will use sustainable technology whenever possible. Additionally, the Authority is working closely with Continental Airlines who will be making upgrades and investments of approximately \$1 million to its President's Club lounge by the end of 2011.

Shaping the face of Aviation in the Region

In addition to the infrastructure and facility improvements, the Authority will remain proactive in shaping policies affecting Guam's visitor industry. The Authority will work diligently with the Governor's Office, the Guam Legislature, and industry stakeholders to ensure Guam is positioned properly to take advantage of the liberalized aviation regulatory structure agreements with key visitor markets of Japan, Korea and China and foster economic development through increased passenger activity and the creation and establishment of a Regional Distribution Center.

With a tourism industry that is continuously evolving, the island is on the cusp of one of its most economically prosperous periods propelled in large part by the impending military build-up that is expected to take place over the next 5-10 years. The Authority expects to complete its Airport Master Plan that would address immediate and future needs and take into consideration the Department of Defense's proposed initiatives with regards to the military build-up along with Guam's own organic growth. The Authority will remain focused on airport projects that will increase the operational capacity of our airport, maximize the operational capabilities of our airline partners, improve our security, roadways and other utility infrastructure, diversify our revenue streams, enhance our customer service and passenger facilitation process and/or are federally funded.

With several initiatives and projects underway, the Authority is heading in the right direction with its sights set on positioning Guam as a major transportation hub in the Western-Pacific region. Constant planning and continued development of Guam's only commercial airport will ensure that we meet and surpass the travel and aviation needs now and into the future.

Antonio B. Won Pat International Airport Authority, Guam

Management's Discussion and Analysis, continued

F. Outlook for FY 2011, continued

Shaping the face of Aviation in the Region, continued

The following are key capital improvement projects expected to be initiated or completed during FY 2011:

- Utility Power Hardening For Critical Airport Facilities
- Rehabilitate and Reconstruct Runway 6L/24R
- Master Plan Update
- Terminal Ramp Lights
- Fencing Upgrades
- Exterior Walkways Restoration
- Residential Sound Solutions Program (Noise Mitigation Program)
- Geographic Information System Survey (GIS)
- Improve Signage, FIDS/BIDS
- Upgraded Food Court
- Renovated Restroom Facilities
- Luggage Cart Acquisitions
- Fuel Distribution System Upgrades
- Energy Management and Alternative Energy Program

Antonio B. Won Pat International Airport Authority, Guam

Statements of Net Assets

	September 30,	
	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Unrestricted assets:		
Cash (Note 2)	\$ 991,123	\$ 3,056,207
Passenger facility charge cash (Note 2)	271,388	340,138
Accounts receivable, trade, net of allowance for doubtful accounts of \$357,755 at September 30, 2010 (\$245,437 at September 30, 2009) (Notes 2 and 8)	6,908,571	4,392,598
Passenger facility charge receivables (Note 2)	672,982	566,426
Receivables from the United States Government	3,277,661	4,148,672
Notes receivable, net of allowance for doubtful accounts of \$37,639 (Note 3)	---	220,000
Inventory and other	<u>42,530</u>	<u>64,644</u>
Total unrestricted current assets	<u>12,164,255</u>	<u>12,788,685</u>
Restricted assets:		
Customs fees, cash (Note 2)	157,288	17
Customs fees, receivables (Note 11)	<u>1,878,718</u>	<u>1,200,869</u>
Total restricted current assets	<u>2,036,006</u>	<u>1,200,886</u>
Total current assets	<u>14,200,261</u>	<u>13,989,571</u>
General Revenue Bonds (Note 6) :		
Investments and cash with trustees, unrestricted	21,972,719	24,205,868
Investments and cash with trustees, restricted	<u>32,415,162</u>	<u>32,203,768</u>
	<u>54,387,881</u>	<u>56,409,636</u>
Capital assets, at cost less accumulated depreciation (Notes 4 and 10)	413,838,006	406,146,241
Avigation easements (Note 4)	13,994,340	15,003,688
Deferred bond issue costs	<u>6,256,409</u>	<u>7,107,208</u>
Total assets	<u>\$ 502,676,897</u>	<u>\$ 498,656,344</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam

Statements of Net Assets, continued

	September 30,	
	<u>2010</u>	<u>2009</u>
Liabilities and Net Assets		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable - trade	\$ 2,376,085	\$ 2,228,458
Accounts payable - construction	10,701,502	8,540,865
Other liabilities (<i>Note 10</i>)	1,263,143	1,308,565
Security deposits and deferred income	1,294,021	1,389,679
Current portion of annual leave (<i>Note 9</i>)	<u>292,099</u>	<u>277,121</u>
Total payable from unrestricted assets	<u>15,926,850</u>	<u>13,744,688</u>
Payable from restricted assets:		
Customs fees payable to Treasurer of Guam (<i>Note 11</i>)	2,153,590	1,528,147
General Revenue Bonds:		
Current installments (<i>Notes 5 and 9</i>)	8,625,000	8,235,000
Accrued interest	<u>4,271,634</u>	<u>4,448,309</u>
Total payable from restricted assets	<u>15,050,224</u>	<u>14,211,456</u>
Total current liabilities	<u>30,977,074</u>	<u>27,956,144</u>
Non-current liabilities:		
Payable from unrestricted assets:		
Accrued sick leave (<i>Notes 7 and 9</i>)	131,884	103,462
Long-term portion of annual leave (<i>Note 9</i>)	727,455	668,553
Payable from restricted assets:		
Long-term bonds payable, less current installments:		
General Revenue Bonds (<i>Notes 5 and 9</i>)	<u>165,023,434</u>	<u>173,773,999</u>
Total non-current liabilities	<u>165,882,773</u>	<u>174,546,014</u>
Total liabilities	<u>196,859,847</u>	<u>202,502,158</u>
Commitments and contingencies (<i>Notes 5 and 10</i>)		
Net assets:		
Invested in capital assets, net of related debt	260,440,321	246,248,138
Restricted (<i>Notes 4 and 10</i>)	28,025,944	27,428,198
Unrestricted	<u>17,350,785</u>	<u>22,477,850</u>
Total net assets	<u>305,817,050</u>	<u>296,154,186</u>
Total liabilities and net assets	<u>\$ 502,676,897</u>	<u>\$ 498,656,344</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>2010</u>	<u>2009</u>
Revenues (Note 5) :		
Facilities and systems usage charges	\$ 22,987,211	\$ 17,797,085
Concession fees (Notes 2 and 8)	13,887,161	12,943,555
Rental income (Note 8)	9,414,797	9,338,787
Miscellaneous	<u>840,907</u>	<u>1,651,198</u>
Total revenues	<u>47,130,076</u>	<u>41,730,625</u>
Operating costs and expenses:		
Contractual services (Note 10)	17,338,311	16,086,870
Personnel services	12,755,098	12,706,013
Materials and supplies	878,910	684,259
Bad debt	<u>112,319</u>	<u>34,889</u>
Total operating costs and expenses	<u>31,084,638</u>	<u>29,512,031</u>
Income from operations before depreciation and amortization	16,045,438	12,218,594
Depreciation and amortization	(<u>22,975,268</u>)	(<u>21,797,415</u>)
Loss from operations	(<u>6,929,830</u>)	(<u>9,578,821</u>)
Non-operating income (expense):		
Passenger facility charge income	5,668,517	5,064,667
Interest income	1,282,807	1,468,089
Interest expense	(<u>7,947,785</u>)	(<u>8,339,935</u>)
Other expenses, net (Note 5)	(<u>456,831</u>)	(<u>486,979</u>)
Non-recurring expenses	(<u>32,862</u>)	(<u>52,018</u>)
Total non-operating expenses, net	(<u>1,486,154</u>)	(<u>2,346,176</u>)
Loss before capital grants and transfer in	(<u>8,415,984</u>)	(<u>11,924,997</u>)
Capital grants from the United States Government	17,348,269	35,418,595
Operating grants from the United States Government	669,848	842,931
Transfer from Government of Guam - Office of Highway Safety (OHS)	<u>60,731</u>	<u>30,095</u>
Total capital and operating grants	<u>18,078,848</u>	<u>36,291,621</u>
Increase in net assets	9,662,864	24,366,624
Net assets at beginning of year	<u>296,154,186</u>	<u>271,787,562</u>
Net assets at end of year	<u>\$ 305,817,050</u>	<u>\$ 296,154,186</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam

Statements of Cash Flows

	Year ended September 30,	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 43,728,277	\$ 40,793,422
Cash paid to suppliers for goods and services	(15,796,515)	(17,323,130)
Cash paid to employees	(12,652,796)	(12,425,405)
	<u>15,278,966</u>	<u>11,044,887</u>
Cash flows from investing activities:		
Net sales of investments with trustee	2,021,755	4,104,104
Investment interest income	1,282,807	1,468,089
Proceeds from collection on note receivable	<u>220,000</u>	<u>---</u>
	<u>3,524,562</u>	<u>5,572,193</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of airport facilities	(28,806,886)	(46,173,240)
Interest paid on General Revenue Bonds	(8,124,460)	(8,509,660)
Principal payment on General Revenue Bonds	(8,360,565)	(7,466,552)
U.S. Government capital grants	18,889,128	41,112,411
Transfer from Government of Guam - OHS	60,731	30,095
Passenger facility charge receipts	<u>5,561,961</u>	<u>5,298,866</u>
	(20,780,091)	(15,708,080)
Net cash used in capital and related financing activities	(20,780,091)	(15,708,080)
Net (decrease) increase in cash	(1,976,563)	909,000
Cash at beginning of year	<u>3,396,362</u>	<u>2,487,362</u>
Cash at end of year	\$ <u><u>1,419,799</u></u>	\$ <u><u>3,396,362</u></u>
Consisting of:		
Unrestricted	\$ 1,262,511	\$ 3,396,345
Restricted - current	<u>157,288</u>	<u>17</u>
	\$ <u><u>1,419,799</u></u>	\$ <u><u>3,396,362</u></u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2010</u>	<u>2009</u>
Reconciliation of loss from operations and other expenses to net cash provided by operating activities:		
Loss from operations	\$(6,929,830)	\$(9,578,821)
Non-recurring and other expenses, net	(<u>489,693</u>)	(<u>538,997</u>)
	(<u>7,419,523</u>)	(<u>10,117,818</u>)
Adjustments to reconcile loss from operations and other expenses, net to net cash provided by operating activities:		
Depreciation and amortization	22,975,268	21,797,415
Bad debt expense	112,319	34,889
Recovery of bad debts	---	(220,000)
(Increase) decrease in assets:		
Accounts receivable	(3,306,141)	42,960
Inventory	22,114	(18,060)
Increase (decrease) in liabilities:		
Accounts payable	2,933,707	(464,943)
Other current liabilities	(45,422)	469,999
Security deposits and deferred income	(95,658)	(760,163)
Annual leave	73,880	177,146
Accrued sick leave	<u>28,422</u>	<u>103,462</u>
Total adjustments	<u>22,698,489</u>	<u>21,162,705</u>
Net cash provided by operating activities	\$ <u>15,278,966</u>	\$ <u>11,044,887</u>

See accompanying notes.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements

Years ended September 30, 2010 and 2009

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, 2010 and 2009, receivables that are more than ninety days past due totaled approximately \$1,523,000 and \$1,118,000, 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 collectibility of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense.

Notes Receivable

Notes receivable are carried at face amount, less payments collected, if any. Interest income on the notes receivable is recognized based on the outstanding principal amount of the notes. The notes will be placed on nonaccrual basis when, in the opinion of management, principal or interest is not likely to be paid in accordance with terms. The Authority considers a note receivable to be impaired when, based on current information and events, it is probable that the Authority will be unable to collect all amounts due (principal and interest) according to the contractual terms.

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.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Capital Assets and Depreciation and Amortization

Capital assets, whether purchased or constructed, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of airport facilities and amortization of improvements has been computed by the straight-line method using estimated useful lives of 5 to 35 years for buildings and 3 to 10 years for equipment.

The Authority capitalizes buildings, land improvements and equipment that have a cost of \$5,000 or more and an estimated useful life of at least three years. The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the lives of the assets are not capitalized.

The cost of issuing bonds to finance construction of airport facilities have been capitalized and are being amortized on a weighted-average basis over the lives of the bonds outstanding.

Capitalization of Interest

The Authority charges to construction-in-progress interest incurred during the period of construction. Interest is capitalized 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.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

Compensated Absences

In accordance with Public Law 27-005 and Public Law 28-068, employees vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service as follows:

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service.
2. Three-fourths day (6 hours) for each full bi-weekly pay period in the case of employees with 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 fifteen (15) years or more 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.

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.

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

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.

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.

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

New Accounting Standards

During the year ended September 30, 2010, the Authority implemented the following pronouncements:

- In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009.
- In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB efforts to codify all GAAP for state and local governments so that they derive from a single source.
- In March 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.
- In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008.

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

Notes to Financial Statements, continued

1. Organization and Summary of Accounting Policies, continued

New Accounting Standards, continued

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority.

In December 2009, GASB issued Statement No. 57, *Other Postemployment Benefits (OPEB) Measurements by Agent Employers and Agent Multiple-Employer Plans*, which establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members 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. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority.

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 for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Authority.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

2. 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, 2010 and 2009, \$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 14% and 15% of total operating revenues for each of the years ended September 30, 2010 and 2009, respectively. Receivables from the primary concessionaire totaled \$732,239 and \$507,725 at September 30, 2010 and 2009, respectively.

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. For the year ended September 30, 2009, approximately 26% and 10% of the Authority's total operating revenues, including passenger facility charge income, were derived from two airline customers. At September 30, 2009, receivables from these airline customers totaled \$1,030,765 and \$537,311, 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.

3. Notes Receivable

Notes receivable as of September 30, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Due from CMC Limousine, Inc. The note arises from converting trade receivable into a promissory note arrangement. Specific repayment terms have not been finalized	\$ 37,639	\$ 37,639
Due from Guam Police Department (GPD). The note arises from converting trade receivables into a promissory note arrangement	---	<u>220,000</u>
	37,639	257,639
Less current installments	---	<u>(220,000)</u>
	37,639	37,639
Less allowance for doubtful accounts	<u>(37,639)</u>	<u>(37,639)</u>
	\$ ---	\$ ---

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

3. Notes Receivable, continued

On October 1, 2009, in accordance with a memorandum of agreement between the Authority and GPD pursuant to Public Law 29-82, GPD paid the remaining note receivable of \$220,000 in full. GPD will continue to occupy the leased property until September 30, 2011 for a monthly rental of \$19,350, unless sooner terminated by the GPD. GPD agreed to vacate and surrender the property, in its entirety, to the Authority in good order, condition and repair on or before September 30, 2011.

4. Airport Facilities

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>

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, 2010 and 2009 included \$579,586 and \$5,540,951, respectively, of costs associated with the residential sound insulation program. During the years ended September 30, 2010 and 2009, the Authority's avigation easements totaled \$13,994,340 and \$15,003,688, 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

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.

A summary of changes in capital assets for the year ended September 30, 2009 is as follows:

	Beginning Balance October 1, 2008	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2009
Capital assets depreciated:				
Terminal building	\$315,438,816	\$14,484,265	\$ ---	\$329,923,081
Other buildings	60,722,551	343,292	---	61,065,843
Apron area	28,632,976	12,350,718	---	40,983,694
Airfield area	57,209,749	---	---	57,209,749
Terminal area	24,748,708	---	---	24,748,708
Support facilities	<u>8,267,059</u>	<u>390,034</u>	<u>---</u>	<u>8,657,093</u>
Total capital assets depreciated	495,019,859	27,568,309	---	522,588,168
Less accumulated depreciation	<u>(244,589,145)</u>	<u>(20,706,596)</u>	<u>---</u>	<u>(265,295,741)</u>
Net capital assets depreciated	<u>250,430,714</u>	<u>6,861,713</u>	<u>---</u>	<u>257,292,427</u>
Capital assets not depreciated:				
Land	57,461,373	---	---	57,461,373
Construction-in-progress	<u>87,927,730</u>	<u>30,988,771</u>	<u>(27,524,060)</u>	<u>91,392,441</u>
Total capital assets not depreciated	<u>145,389,103</u>	<u>30,988,771</u>	<u>(27,524,060)</u>	<u>148,853,814</u>
	<u>\$395,819,817</u>	<u>\$37,850,484</u>	<u>\$(27,524,060)</u>	<u>\$406,146,241</u>

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, 2010 and 2009, totaled \$595,484 and \$556,684, 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, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</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 \$8,625,000 and \$8,235,000 due in October 2010 and 2009, respectively, and increasing to \$17,175,000 on October 2023	\$ 172,725,000	\$180,960,000
Less current installments	(8,625,000)	(8,235,000)
	164,100,000	172,725,000
Add net unamortized premium on bonds	4,743,128	5,388,138
Less deferred difference on refunding of 1993 bonds	(3,819,694)	(4,339,139)
	<u>\$ 165,023,434</u>	<u>\$173,773,999</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>
2011	\$ 8,625,000	\$ 8,333,000	\$ 16,958,000
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 through 2020	61,645,000	24,685,000	86,330,000
2021 through 2024	<u>63,230,000</u>	<u>6,773,000</u>	<u>70,003,000</u>
	<u>\$172,725,000</u>	<u>\$ 68,871,000</u>	<u>\$241,596,000</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, 2010 and 2009, the amortization expense totaling \$519,445 and \$544,210, 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, 2010 and 2009, investments and cash held by the trustees, in trust for the Authority, in these funds and accounts are as follows:

	<u>2010</u>	<u>2009</u>
Operations and Maintenance Reserve Fund	\$ 8,452,036	\$ 7,524,172
Federal Grant Funds	7,928,646	9,328,557
Self-Insurance Fund	5,112,952	6,036,039
Capital Improvement Fund	387,634	5,252
General Revenue Fund	80,370	1,083,705
Operations and Maintenance Fund	<u>11,081</u>	<u>228,143</u>
 Total Unrestricted	 <u>21,972,719</u>	 <u>24,205,868</u>
 Cash with trustees	 449,777	 4,724
Bond Reserve Funds	18,063,978	18,509,079
Debt Service Funds	12,901,153	12,689,197
Renewal and Replacement Fund	<u>1,000,254</u>	<u>1,000,768</u>
 Total Restricted	 <u>32,415,162</u>	 <u>32,203,768</u>
	<u>\$ 54,387,881</u>	<u>\$ 56,409,636</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, 2010 and 2009 are summarized as follows:

	2010			2009		
	Amortized Cost	Gross unrealized gains (losses)	Fair value	Amortized Cost	Gross unrealized gains (losses)	Fair value
Cash with trustees	\$ 4,718	\$ ---	\$ 4,718	\$ 4,724	\$ ---	\$ 4,724
Money market/ trust funds	30,281,505	---	30,281,505	30,626,367	---	30,626,367
Investment agreements	18,045,950	---	18,045,950	18,045,950	---	18,045,950
Short-term investments	5,774,884	193,890	5,968,774	6,561,115	202,479	6,763,594
U.S. Treasury notes	<u>84,928</u>	<u>2,006</u>	<u>86,934</u>	<u>937,650</u>	<u>31,351</u>	<u>969,001</u>
	<u>\$ 54,191,985</u>	<u>\$ 195,896</u>	<u>\$ 54,387,881</u>	<u>\$56,175,806</u>	<u>\$ 233,830</u>	<u>\$56,409,636</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, 2010 and 2009, 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 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.

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, Citibank N.A., Government of Guam Employees Federal Credit Union and Merrill Lynch 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 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, 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, 2010 and 2009.

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, 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>30,269,548</u>
		<u>\$30,620,217</u>	<u>\$5,628,944</u>	<u>\$ 29,437</u>	<u>\$18,045,950</u>	54,324,548
Cash						4,718
Accrued interest						<u>58,615</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

At September 30, 2009, 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	\$ 200,000	\$ 764,638	\$ ---	\$ ---	\$ 964,638
US government agencies:						
Federal Home Loan Bank Federal Home Loan Mortgage Corporation	Aaa	150,301	352,096	---	---	502,397
Federal National Mortgage Association	Aaa	149,925	1,103,947	---	---	1,253,872
Other guaranteed by FDIC	Aaa	249,975	2,394,712	27,633	---	2,672,320
Corporate notes:						
CDC Funding Corporation	Aa	---	---	---	18,045,950	18,045,950
Other	Aaa	---	54,265	---	---	54,265
Other	Aa	65,788	461,057	---	---	526,845
Other	A	---	880,069	---	---	880,069
Other	Baa	---	421,335	---	---	421,335
Money Market Funds	Aaa	<u>30,609,625</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>30,609,625</u>
		<u>\$31,425,614</u>	<u>\$6,834,831</u>	<u>\$ 27,633</u>	<u>\$18,045,950</u>	56,334,028
Cash						4,724
Accrued interest						<u>70,884</u>
						<u>\$56,409,636</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.

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.

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 26.04% and 9.50%, respectively, for the year ended September 30, 2010, 25.20% and 9.50%, respectively, for the year ended September 30, 2009 and 24.07% and 9.50%, respectively, for the year ended September 30, 2008.

Actuarial contribution rates were 29.31%, 26.02% and 27.38% for the years ended September 30, 2010, 2009 and 2008, respectively.

During the years ended September 30, 2010, 2009 and 2008, contributions made and accrued, which were equal to the required contributions for those years, amounted to \$353,856, \$357,970 and \$337,506, 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, 2010 and 2009 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, 2010, 2009 and 2008, contributions made and amounts accrued under the DCRS amounted to \$2,049,637, \$1,998,701 and \$2,200,858, respectively.

Retirement expense amounted to \$2,403,493, \$2,356,671 and \$1,949,133 for the years ended September 30, 2010, 2009 and 2008, 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, 2010 and 2009, the Authority has accrued an estimated liability of \$131,884 and \$103,462, respectively. However, this amount is an estimate and actual payout could differ from those estimates.

Antonio B. Won Pat International Airport Authority, Guam

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, including \$707,000 estimated liability accrued by the Authority as of September 30, 2009.

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. 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, 2010 and 2009 includes \$1,521,595 and \$1,257,695 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, 2010 are as follows:

Year ending <u>September 30,</u>	
2011	\$ 4,615,000
2012	4,500,000
2013	<u>1,379,000</u>
Total minimum lease payments receivable	<u>\$10,494,000</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. As of and for the year ended September 30, 2010, the Authority accrued rental income totaling \$280,800 and is recorded as a component of accounts receivable, trade and rental income in the accompanying 2010 financial statements.

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 airport users. The agreements provide the lessees with the use of the airport's system facilities, equipment and services. The signatory airline operating agreement and terminal building lease are in effect from October 1, 2006 through September 30, 2011. The two ground lease agreements will expire in August 2023. The lease agreements with six rent-a-car companies will expire in June 2011.

The future minimum rentals on noncancellable operating leases (excluding the DFS lease described above) as of September 30, 2010 are as follows:

Year ending September 30,	
2011	\$ 6,660,000
2012	2,833,000
2013	1,470,000
2014	972,000
2015	754,000
Thereafter	<u>6,866,000</u>
Total future minimum lease payments receivable	<u>\$19,555,000</u>

9. Long-Term Liabilities

A summary of changes in long-term liabilities during fiscal years 2010 and 2009 follows:

	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>

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

9. Long-Term Liabilities, continued

	Outstanding September 30, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2009</u>	<u>Current</u>	<u>Noncurrent</u>
Accrued sick leave	\$ ---	\$103,462	\$ ---	\$ 103,462	\$ ---	\$ 103,462
Accrued annual leave	768,528	177,146	---	945,674	277,121	668,553
2003 General revenue bonds	<u>189,475,551</u>	<u>---</u>	<u>7,466,552</u>	<u>182,008,999</u>	<u>8,235,000</u>	<u>173,773,999</u>
	<u>\$190,244,079</u>	<u>\$280,608</u>	<u>\$7,466,552</u>	<u>\$183,058,135</u>	<u>\$8,512,121</u>	<u>\$174,546,014</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. Authority management has recently been made aware that in accordance with the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 or CERCLA, a decision document or record of decision requires execution by the Authority, the Navy and the Guam Environmental Protection Agency with the concurrence of the U.S. EPA. The decision document would codify the responsibilities of each party for the environmental response actions.

Although the primary remediation action is natural attenuation, the Authority has substantially completed a water system project as part of the military airport program, which concurrently satisfies, in part, certain response actions contemplated under the Environmental Services Cooperative Agreement. The Authority has reprogrammed the \$10 million received from the Navy to the Capital Improvement Fund and any further costs and prior related costs will be appropriated from this Fund. The Authority will continue the voluntary monitoring until such time the decision document is executed and the Authority's remediation responsibilities are specified.

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, 2010, 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 \$671,044. At September 30, 2010 and 2009 and for the years then ended, future pollution remediation and monitoring costs totaling \$671,044 and \$209,717, respectively, is reflected as a component of contractual services in the accompanying statements of revenues, expenses and changes in net assets, and as a component of other current liabilities in the accompanying statements of net assets.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

10. Commitments and Contingencies, continued

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, 2010 and 2009, there were no unresolved questioned costs.

Commitments

The Authority has commitments of about \$7.9 million under several construction contracts at September 30, 2010.

In addition, the Authority has commitments under other various contracts of about \$16.7 million at September 30, 2010.

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 \$5,112,952, respectively, at September 30, 2010, and \$1,000,000 and \$6,036,039, respectively, at September 30, 2009. Effective October 1, 2008, the Authority has a catastrophic insurance policy with coverage up to \$9.5 million as a supplement to the self-insurance.

Government of Guam General Fund

Pursuant to 5 GCA Chapter 22 § 22421 *Transfer of Autonomous Agency Revenues to Autonomous Agency 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. However, management of the Authority is of the opinion that Section 5.01 Pledge and Assignment of Revenues under the Authority's Bond Indenture and § 47133 of Title 49 of the Code of Federal Regulations restrict the use of airport funds for capital and operating costs of the airport and therefore prohibit remittance to the General Fund. Accordingly, no liability has been recorded for this contingency as of September 30, 2010 and 2009.

Antonio B. Won Pat International Airport Authority, Guam

Notes to Financial Statements, continued

10. Commitments and Contingencies, continued

Water System Infrastructure Upgrade

During the year ended September 30, 2010, the Authority, in accordance with its Risk Reduction Plan of Corrective Action submitted to the FAA, has undergone a study by an engineering firm to address the FAA's concerns raised in the prior year over the Authority's water system infrastructure upgrade project. The pre-final engineering report is under review by the Authority and the FAA. Concurrently, an operating agreement is being negotiated between the Authority and the Guam Waterworks Authority. The provisions of this operating agreement along with the Authority's comments on the engineering report will contribute to the final determination and resolution of the FAA's concerns on compliance and eligibility. If applicable, the resolution will be in accordance with the Authority's Risk Reduction Plan of Corrective Action. On December 21, 2010, the Authority engaged in a teleconference with the FAA's headquarters, regional and district offices and the results were inconclusive and that more analysis was needed to make a final determination. Accordingly, no liability, if any, has been recorded for the contingency as of September 30, 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, 2010 and 2009, 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, 2010 and 2009, the Authority recorded customs fees payable to the Treasurer of Guam totaling \$2,153,590 and \$1,528,147, respectively, for the above charges, of which \$1,878,718 and \$1,200,869, 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.

12. Subsequent Events

The Authority has evaluated subsequent events through January 12, 2011.

Other Financial Information

Antonio B. Won Pat International Airport Authority, Guam

Years ended September 30, 2010 and 2009

Schedule 1
Facilities and Systems Usage Charges

	<u>2010</u>	<u>2009</u>
Departure facilities	\$ 6,225,493	\$ 5,326,503
Arrival facilities	6,109,684	5,387,772
Passenger loading bridge usage charge	3,547,283	1,689,336
Landing fees	2,643,417	1,218,711
Immigration	2,236,345	1,937,884
Public apron	1,515,323	1,804,241
Utility recovery and other fees	554,104	290,131
Fuel flowage fees	155,562	142,507
	<u>\$ 22,987,211</u>	<u>\$ 17,797,085</u>

Schedule 2
Concession Fees

	<u>2010</u>	<u>2009</u>
General merchandise	\$ 6,326,954	\$ 6,064,436
Ground transportation	4,267,947	3,870,031
Car rental	931,766	910,220
Food and beverage	810,174	707,835
In-flight catering	679,358	589,956
Advertising	404,710	376,374
Money exchange	294,253	255,121
Parking lot	105,000	105,000
Other	66,999	64,582
	<u>\$ 13,887,161</u>	<u>\$ 12,943,555</u>

Schedule 3
Rental Income

	<u>2010</u>	<u>2009</u>
Operating space:		
- Airline	\$ 2,730,854	\$ 2,754,459
- Non-airline	2,730,298	2,997,093
Building and maintenance shop rentals	2,005,146	1,708,315
Other	1,706,783	1,295,309
Cargo rentals	241,716	583,611
	<u>\$ 9,414,797</u>	<u>\$ 9,338,787</u>

Antonio B. Won Pat International Airport Authority, Guam

Years ended September 30, 2010 and 2009

Schedule 4
Contractual Services

	<u>2010</u>	<u>2009</u>
Power	\$ 6,353,607	\$ 6,288,000
Repairs and maintenance	4,149,852	3,323,420
Professional services	3,519,540	3,102,554
Insurance	1,874,283	1,914,239
Utilities and telephone	704,574	703,773
Advertising and promotions	307,209	304,679
Miscellaneous	297,840	270,720
Travel/Training and Certifications	<u>131,406</u>	<u>179,485</u>
	<u>\$ 17,338,311</u>	<u>\$ 16,086,870</u>

Schedule 5
Personnel Services

	<u>2010</u>	<u>2009</u>
Salaries and wages	\$ 9,728,359	\$ 9,773,657
Retirement contributions	2,403,493	2,356,671
Insurance	<u>623,246</u>	<u>575,685</u>
	<u>\$ 12,755,098</u>	<u>\$ 12,706,013</u>
Full-time employee count in September	<u>200</u>	<u>205</u>

Schedule 6
Materials and Supplies

	<u>2010</u>	<u>2009</u>
Equipment and vehicle maintenance and supplies	\$ 333,945	\$ 342,409
Office and security supplies	292,875	140,885
Miscellaneous	105,487	81,686
Electrical and plumbing	87,788	91,982
Building maintenance and supplies	<u>58,815</u>	<u>27,297</u>
	<u>\$ 878,910</u>	<u>\$ 684,259</u>

Antonio B. Won Pat International Airport Authority, Guam

Year ended September 30, 2010

Schedule 7
Insurance Coverage

Name of Insurer	Policy	Risk Coverage
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	\$ 9,500,000
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
Lloyds of London	Crime Insurance	\$ 1,000,000

Antonio B. Won Pat International Airport Authority, Guam

Schedule 8

Reconciliation of Historical Financial Results

	Year ended September 30,	
	<u>2010</u>	<u>2009</u>
Change in net assets:		
Revenues	\$ 54,081,400	\$ 48,263,381
Expenses	(<u>31,084,638</u>)	(<u>29,512,031</u>)
Income before depreciation	22,996,762	18,751,350
Depreciation	(<u>22,975,268</u>)	(<u>21,797,415</u>)
	21,494	(<u>3,046,065</u>)
Interest and other expenses	(<u>8,437,478</u>)	(<u>8,878,932</u>)
Transfer from the Government of Guam - OHS	60,731	30,095
Grants from the United States Government	<u>18,018,117</u>	<u>36,261,526</u>
Increase in net assets	<u>\$ 9,662,864</u>	<u>\$ 24,366,624</u>
Net Revenues (per Bond Resolution):		
Revenues	\$ 54,081,400	\$ 48,263,381
Operation and maintenance expenses	(<u>31,242,647</u>)	(<u>29,844,742</u>)
Net revenues available for debt service	<u>\$ 22,838,753</u>	<u>\$ 18,418,639</u>
Reconciliation:		
Change in net assets	\$ 9,662,864	\$ 24,366,624
Add back:		
Depreciation	22,975,268	21,797,415
Interest expense	7,947,785	8,339,935
Miscellaneous	(<u>154,957</u>)	(<u>350,830</u>)
Deduct:		
Capital grants from the United States Government	(<u>17,348,269</u>)	(<u>35,418,595</u>)
Interest income on funds related to construction	(<u>243,938</u>)	(<u>315,910</u>)
	22,838,753	18,418,639
Other available monies	<u>4,292,067</u>	<u>4,282,905</u>
Funds available for debt service	<u>\$ 27,130,820</u>	<u>\$ 22,701,544</u>
Debt Service*	<u>\$ 17,168,269</u>	<u>\$ 17,131,619</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, 2010

<u>Department</u>	<u>Employees (b)</u>	<u>Personnel Services (a)</u>
Board	---	\$ ---
Administration	43 (c)	2,697,123
Accounting	10	678,939
Engineering	3	205,651
Operations	18	1,089,651
Properties & Facilities Maintenance	42	1,961,112
Airport Police	53	3,327,418
Aircraft Rescue Fire Fighting	31	2,795,204
Total	<u>200</u>	<u>\$ 12,755,098</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 Management	2
Administrative support	12
Personnel	4
Marketing	3
Procurement	7
Property Management	9
Planning	3
Management Information System	3
	<u>43</u>