

GUAM INTERNATIONAL AIRPORT AUTHORITY

**INDEPENDENT AUDITORS' REPORTS ON
COMPLIANCE AND INTERNAL CONTROL**

YEAR ENDED SEPTEMBER 30, 1998



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Guam International Airport Authority:

We have audited the financial statements of the Guam International Airport Authority (GIAA), as of and for the year ended September 30, 1998, and have issued our report thereon dated December 16, 1998, which report was qualified due to year 2000 issues. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

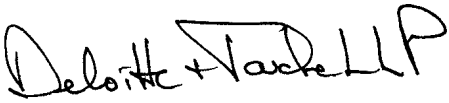
Compliance

As part of obtaining reasonable assurance about whether GIAA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GIAA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of GIAA in a separate letter dated December 16, 1998.

This report is intended for the information of the Board of Directors and management of GIAA and the federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Deloitte + Mack LLP". The signature is stylized and cursive, with the "D" and "M" being particularly prominent.

December 16, 1998



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Directors
Guam International Airport Authority:

Compliance

We have audited the compliance of the Guam International Airport Authority (GIAA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1998. GIAA's major federal programs are identified in the Summary of Auditors' results Section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of GIAA's management. Our responsibility is to express an opinion on GIAA's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GIAA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on GIAA's compliance with those requirements.

In our opinion, GIAA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1998.

Internal Control Over Compliance

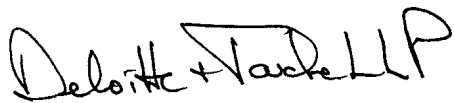
The management of GIAA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered GIAA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards and Statements of Project Costs and Status of Grant Fund Payments

We have audited the financial statements of GIAA as of and for the year ended September 30, 1998, and have issued our report thereon dated December 16, 1998, which report was qualified due to year 2000 issues. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and Statements of Project Costs and Status of Grant Fund Payments (pages 5-14) are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the financial statements. These schedules are the responsibility of the management of GIAA. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of Directors and management of GIAA, the federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Deloitte + Tatche LLP". The signature is written in a cursive, stylized font.

December 16, 1998

GUAM INTERNATIONAL AIRPORT AUTHORITY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 1998

Federal Grantor Project Title	CFDA Number/ Grantor I.D. No.	Program or Award Amount	Receivables from Grantor at 10/1/97	Cash Receipts FY 1998	Expenditures FY 1998	Receivables from Grantor at 9/30/98
<u>U.S. Department of Transportation - Federal Aviation Administration</u>						
Security access system	20.103 3-66-0001-09	\$ 651,165	\$ 30,491	\$ -	\$ 19,654	\$ 50,145
Terminal apron/taxilane expansion (note 3)	20.102 3-66-0001-12	5,826,161	1,099,566	1,099,566	-	-
Terminal apron/taxilane expansion (note 3)	20.102 3-66-0001-15	4,000,000	3,760	227,741	245,040	21,059
Rehabilitate runway 6R/24L (note 3)	20.102 3-66-0001-16	5,400,000	94,294	-	3,655,529	3,749,823
Master plan study	20.103 3-66-0001-17	450,000	41,299	41,299	-	-
Improve access road and parkway system	20.102 3-66-0001-18	5,664,897	2,061,601	1,230,551	-	831,050
Rehabilitate runway 6R/24L (note 3)	20.106 3-66-0001-19	4,608,018	85,999	-	3,334,010	3,420,009
Construction of new airfield lighting vault	20.106 3-66-0001-20	<u>1,738,318</u>	<u>1,133</u>	<u>-</u>	<u>98,755</u>	<u>99,888</u>
Total Department of Transportation		28,338,559	3,418,143	2,599,157	7,352,988	8,171,974
<u>Federal Emergency Management Agency</u>						
Typhoon Paka (note 4)	83.516	<u>1,104,029</u>	<u>-</u>	<u>-</u>	<u>723,634</u>	<u>723,634</u>
TOTAL		\$ <u>29,442,588</u>	\$ <u>3,418,143</u>	\$ <u>2,599,157</u>	\$ <u>8,076,622</u>	\$ <u>8,895,608</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Airport Improvement Program Grant No. 3-66-0001-09
Federal Aviation Administration CFDA No. 20.103
Statement Of Project Costs And Status Of Grant Fund Payments
Period September 14, 1990 To September 30, 1998

	Approved Budget	Total Allowable Project Costs Incurred
PROJECT COSTS	\$ 707,441	\$ 108,399
Less Grantee's Share (10% of last \$562,762)	<u>(56,276)</u>	<u>-</u>
FEDERAL SHARE OF PROJECT COSTS	651,165	108,399
Less Cumulative Federal Cash Received	<u>(58,254)</u>	<u>(58,254)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>592,911</u>	\$ <u>50,145</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>19,654</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>-</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Airport Improvement Program Grant No. 3-66-0001-12
Federal Aviation Administration CFDA No. 20.102
Statement of Project Costs and Status of Grant Fund Payments
Period September 15, 1992 to September 30, 1998

	Approved Budget	Total Allowable Project Costs <u>Incurred</u>
PROJECT COSTS	\$ 6,251,290	\$ 6,251,290
Less Grantee's Share (10% of last \$4,251,290)	<u>(425,129)</u>	<u>(425,129)</u>
FEDERAL SHARE OF PROJECT COSTS	5,826,161	5,826,161
Less Cumulative Federal Cash Received	<u>(5,826,161)</u>	<u>(5,826,161)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>-</u>	\$ <u>-</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>-</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>1,099,566</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Airport Improvement Program Grant No. 3-66-0001-15
Federal Aviation Administration CFDA No. 20.102
Statement of Project Costs and Status of Grant Fund Payments
Period August 6, 1993 to September 30, 1998

	Approved Budget	Total Allowable Project Costs Incurred
PROJECT COSTS	\$ 4,444,445	\$ 2,597,640
Less Grantee's Share (10%)	<u>(444,445)</u>	<u>(259,764)</u>
FEDERAL SHARE OF PROJECT COSTS	4,000,000	2,337,876
Less Cumulative Federal Cash Received	<u>(2,316,817)</u>	<u>(2,316,817)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>1,683,183</u>	\$ <u>21,059</u>
ALLOWABLE PROJECT COSTS INCURRED- YEAR ENDED SEPTEMBER 30, 1998		\$ <u>245,040</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>227,741</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Airport Improvement Program Grant No. 3-66-0001-16
Federal Aviation Administration CFDA No. 20.102
Statement of Project Costs and Status of Grant Fund Payments
Period September 28, 1993 to September 30, 1998

	Approved Budget	Total Allowable Project Costs <u>Incurred</u>
PROJECT COSTS	\$ 6,000,000	\$ 4,330,420
Less Grantee's Share (10%)	<u>(600,000)</u>	<u>(433,042)</u>
FEDERAL SHARE OF PROJECT COSTS	5,400,000	3,897,378
Less Cumulative Federal Cash Received	<u>(147,555)</u>	<u>(147,555)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>5,252,445</u>	\$ <u>3,749,823</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>3,655,529</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>-</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Airport Improvement Program Grant No. 3-66-0001-17
Federal Aviation Administration CFDA No. 20.103
Statement of Project Costs and Status of Grant Fund Payments
Period June 23, 1994 to September 30, 1998

	Approved <u>Budget</u>	Total Allowable Project Costs <u>Incurred</u>
PROJECT COSTS	\$ 500,000	\$ 500,000
Less Grantee's Share (10%)	<u>(50,000)</u>	<u>(50,000)</u>
FEDERAL SHARE OF PROJECT COSTS	450,000	450,000
Less Cumulative Federal Cash Received	<u>(450,000)</u>	<u>(450,000)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>-</u>	\$ <u>-</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>-</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>41,299</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Airport Improvement Program Grant No. 3-66-0001-18
Federal Aviation Administration CFDA No. 20.102
Statement of Project Costs and Status of Grant Fund Payments
Period September 28, 1994 to September 30, 1998

	Approved <u>Budget</u>	Total Allowable Project Costs <u>Incurred</u>
PROJECT COSTS	\$ 6,122,108	\$ 6,122,108
Less Grantee's Share (10% of the last \$4,572,108)	<u>(457,211)</u>	<u>(457,211)</u>
FEDERAL SHARE OF PROJECT COSTS	5,664,897	5,664,897
Less Cumulative Federal Cash Received	<u>(4,833,847)</u>	<u>(4,833,847)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>831,050</u>	\$ <u>831,050</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>-</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>1,230,551</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Airport Improvement Program Grant No. 3-66-0001-19
Federal Aviation Administration CFDA No. 20.106
Statement of Project Costs and Status of Grant Fund Payments
Period September 20, 1995 to September 30, 1998

	Approved Budget	Total Allowable Project Costs Incurred
PROJECT COSTS	\$ 5,120,020	\$ 3,949,541
Less Grantee's Share (10%)	<u>(512,002)</u>	<u>(394,954)</u>
FEDERAL SHARE OF PROJECT COSTS	4,608,018	3,554,587
Less Cumulative Federal Cash Received	<u>(134,578)</u>	<u>(134,578)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>4,473,440</u>	\$ <u>3,420,009</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>3,334,010</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>-</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Airport Improvement Program Grant No. 3-66-0001-20
Federal Aviation Administration CFDA No. 20.106
Statement of Project Costs and Status of Grant Fund Payments
Period September 11, 1996 to September 30, 1998

	Approved <u>Budget</u>	Total Allowable Project Costs <u>Incurred</u>
PROJECT COSTS	\$ 1,931,464	\$ 110,987
Less Grantee's Share (10%)	<u>(193,146)</u>	<u>(11,099)</u>
FEDERAL SHARE OF PROJECT COSTS	1,738,318	99,888
Less Federal Cash Received	<u>-</u>	<u>-</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>1,738,318</u>	\$ <u>99,888</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>98,755</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>-</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Federal Emergency Management Agency

CFDA No. 83.516

Statement of Project Costs and Status of Grant Fund Payments

Period December 17, 1997 to September 30, 1998

	Approved Budget	Total Allowable Project Costs Incurred
PROJECT COSTS	\$ 1,226,699	\$ 804,038
Less Grantee's Share (10%)	<u>(122,670)</u>	<u>(80,404)</u>
FEDERAL SHARE OF PROJECT COSTS	1,104,029	723,634
Less Federal Cash Received	<u>-</u>	<u>-</u>
BALANCE DUE	\$ <u>1,104,029</u>	\$ <u>723,634</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>723,634</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1998		\$ <u>-</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards September 30, 1998

(1) Source of Funding

GIAA's Airport Improvement Program is funded primarily through grants from the U.S. Department of Transportation under Catalog of Federal Domestic Assistance (CFDA #20.106) which is the predecessor to Airport Development Aid Program grants (CFDA #20.102/3). The grant objectives are the same, therefore, such were combined to determine a major program.

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

For purposes of this report, certain accounting procedures were followed which facilitate the presentation of the federal cumulative amount of the grant award and federal funds received and disbursed. Cash receipts relate to all cash received from the cognizant federal agency within the Catalog of Federal Domestic Assistance. Cash receipts do not include matching funds from GIAA. All expenses and capital outlays which represent the federal share of each project are reported as expenditures.

GIAA recognizes contributions from the federal government when qualifying expenditures are incurred and expenditures are recognized on the accrual basis of accounting.

GIAA records federal funds expended as additions to construction in progress and not as expenditures in its financial statements. Any qualifying funds expended in excess of federal funds received are recorded as receivables from the grantor agency.

b. Matching Requirements

In allocating project expenditures between the federal and local share, a percentage is used based upon local matching requirements unless funds are specifically identified to a certain phase of the project.

c. Indirect Cost Allocation

GIAA does not receive any indirect cost allocation and no indirect costs were recorded against any federal program for the year ended September 30, 1998. The Federal Aviation Administration programs do allow, upon prior grantor approval, certain administrative expenses to be charged against the grants.

(3) Cost Allocation and Adjustments

Grant numbers 3-66-001-12 and 15 are commingled to fund the north and east aprons and taxiway projects. Qualifying expenditures are allocated between these two grants.

Grant numbers 3-66-0001-16 and 19 are commingled to fund the rehabilitation of runway 6R/24L. Qualifying expenditures are allocated between these two grants.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards
September 30, 1998

(4) Federal Emergency Management Agency (FEMA)

The FEMA grant for typhoon Paka is received in a subrecipient capacity through the Government of Guam.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs September 30, 1998

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion.
2. No reportable conditions in internal control over financial reporting were identified.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. No reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The Organization's major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of Transportation Federal Aviation Administration	20.102, 20.103, 20.106
Federal Emergency Management Agency Typhoon Paka	83.516

8. No Type B programs, as those terms are defined in OMB Circular A-133, are administered by the Organization.
9. The Organization did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings Section

No matters are reportable.

Part III - Federal Award Findings and Questioned Cost Section

No matters are reportable.