

**GUAM INTERNATIONAL AIRPORT AUTHORITY**

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

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**YEAR ENDED SEPTEMBER 30, 1999**



**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, 1999, and have issued our report thereon dated December 20, 1999. 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.

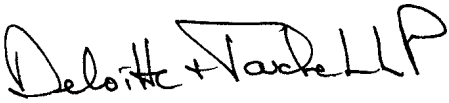
**Compliance**

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 20, 1999.

This report is intended for the information of Board of Directors and management of GIAA, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

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

December 20, 1999



**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 its major federal program for the year ended September 30, 1999. GIAA's one major federal program is 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 its one major federal program for the year ended September 30, 1999.

**Internal Control Over Compliance**

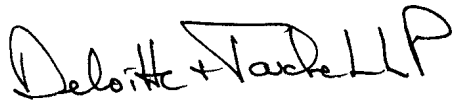
The management of GIAA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered GIAA's internal control over compliance with 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, 1999, and have issued our report thereon dated December 20, 1999. 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 Board of Directors and management of GIAA, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.

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

December 20, 1999

**GUAM INTERNATIONAL AIRPORT AUTHORITY**

Schedule of Expenditures of Federal Awards

Year Ended September 30, 1999

Federal Grantor  Project Title	CFDA Number/ Grantor I.D. No.	Program or Award Amount	Receivables from Grantor at 10/1/98	Cash Receipts FY 1999	Expenditures FY 1999	Receivables from Grantor at 9/30/99
<u>U.S. Department of Transportation - Federal Aviation Administration</u>						
Security access system	20.103 3-66-0001-09	\$ 651,165	\$ 50,145	\$ 26,037	\$ 31,124	\$ 55,232
Terminal apron/taxilane expansion	20.102 3-66-0001-15	4,000,000	21,059	1,047,430	1,460,403	434,032
Rehabilitate runway 6R/24L (note 3)	20.102 3-66-0001-16	5,400,000	3,749,823	4,499,800	810,758	60,781
Improve access road and parkway system	20.102 3-66-0001-18	5,664,897	831,050	831,050	-	-
Rehabilitate runway 6R/24L (note 3)	20.106 3-66-0001-19	4,608,018	3,420,009	3,824,280	456,105	51,834
Construction of new airfield lighting vault	20.106 3-66-0001-20	1,738,318	99,888	317,243	367,431	150,076
Construct parallel taxiway	20.106/ 3-66-0001-21	2,386,700	-	-	1,720	1,720
Construct parallel taxiway	20.106/ 3-66-0001-25	328,400	-	-	93	93
Construct loop taxiway	20.106/ 3-66-0001-26	<u>1,760,013</u>	<u>-</u>	<u>-</u>	<u>187</u>	<u>187</u>
Subtotal		26,537,511	8,171,974	10,545,840	3,127,821	753,955
Federal Emergency Management Agency – Typhoon Paka	83.516	<u>1,237,090</u>	<u>723,634</u>	<u>705,594</u>	<u>190,454</u>	<u>208,494</u>
Total		\$ <u>27,774,601</u>	\$ <u>8,895,608</u>	\$ <u>11,251,434</u>	\$ <u>3,318,275</u>	\$ <u>962,449</u>

Note: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

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, 1999

	Approved Budget	Total Allowable Project Costs Incurred
PROJECT COSTS	\$ 707,441	\$ 139,523
Less Grantee's Share (10% of last \$562,762)	<u>(56,276)</u>	<u>-</u>
FEDERAL SHARE OF PROJECT COSTS	651,165	139,523
Less Cumulative Federal Cash Received	<u>(84,291)</u>	<u>(84,291)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>566,874</u>	\$ <u>55,232</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>31,124</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>26,037</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, 1999

	Approved Budget	Total Allowable Project Costs Incurred
PROJECT COSTS	\$ 4,444,445	\$ 4,220,310
Less Grantee's Share (10%)	<u>(444,445)</u>	<u>(422,031)</u>
FEDERAL SHARE OF PROJECT COSTS	4,000,000	3,798,279
Less Cumulative Federal Cash Received	<u>(3,364,247)</u>	<u>(3,364,247)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>635,753</u>	\$ <u>434,032</u>
ALLOWABLE PROJECT COSTS INCURRED- YEAR ENDED SEPTEMBER 30, 1999		\$ <u>1,460,403</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>1,047,430</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, 1999

	Approved Budget	Total Allowable Project Costs <u>Incurred</u>
PROJECT COSTS	\$ 6,000,000	\$ 5,231,262
Less Grantee's Share (10%)	<u>(600,000)</u>	<u>(523,126)</u>
FEDERAL SHARE OF PROJECT COSTS	5,400,000	4,708,136
Less Cumulative Federal Cash Received	<u>(4,647,355)</u>	<u>(4,647,355)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>752,645</u>	\$ <u>60,781</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>810,758</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>4,499,800</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, 1999

	Approved Budget	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>(5,664,897)</u>	<u>(5,664,897)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>-</u>	\$ <u>-</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>-</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>831,050</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, 1999

	Approved Budget	Total Allowable Project Costs Incurred
PROJECT COSTS	\$ 5,120,020	\$ 4,456,324
Less Grantee's Share (10%)	<u>(512,002)</u>	<u>(445,632)</u>
FEDERAL SHARE OF PROJECT COSTS	4,608,018	4,010,692
Less Cumulative Federal Cash Received	<u>(3,958,858)</u>	<u>(3,958,858)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>649,160</u>	\$ <u>51,834</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>456,105</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>3,824,280</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, 1999

	Approved Budget	Total Allowable Project Costs <u>Incurred</u>
PROJECT COSTS	\$ 1,738,318	\$ 467,319
Less Federal Cash Received	<u>(317,243)</u>	<u>(317,243)</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>1,421,075</u>	\$ <u>150,076</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>367,431</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>317,243</u>

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

**GUAM INTERNATIONAL AIRPORT AUTHORITY**

Airport Improvement Program Grant No. 3-66-0001-21  
Federal Aviation Administration CFDA No. 20.106  
Statement of Project Costs and Status of Grant Fund Payments  
Period August 28, 1998 to September 30, 1999

	Approved <u>Budget</u>	Total Allowable Project Costs <u>Incurred</u>
PROJECT COSTS	\$ 2,429,666	\$ 1,720
Less Grantee's Share (10% of last \$429,666)	<u>(42,966)</u>	<u>-</u>
FEDERAL SHARE OF PROJECT COSTS	2,386,700	1,720
Less Federal Cash Received	<u>-</u>	<u>-</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>2,386,700</u>	\$ <u>1,720</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>1,720</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>-</u>

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

**GUAM INTERNATIONAL AIRPORT AUTHORITY**

Airport Improvement Program Grant No. 3-66-0001-25  
Federal Aviation Administration CFDA No. 20.106  
Statement of Project Costs and Status of Grant Fund Payments  
Period June 16, 1999 to September 30, 1999

	Approved <u>Budget</u>	Total Allowable Project Costs <u>Incurred</u>
PROJECT COSTS	\$ 364,889	\$ 103
Less Grantee's Share (10%)	<u>(36,489)</u>	<u>(10)</u>
FEDERAL SHARE OF PROJECT COSTS	328,400	93
Less Federal Cash Received	<u>-</u>	<u>-</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>328,400</u>	\$ <u>93</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>93</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>-</u>

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

**GUAM INTERNATIONAL AIRPORT AUTHORITY**

Airport Improvement Program Grant No. 3-66-0001-26  
Federal Aviation Administration CFDA No. 20.106  
Statement of Project Costs and Status of Grant Fund Payments  
Period June 16, 1999 to September 30, 1999

	Approved <u>Budget</u>	Total Allowable Project Costs <u>Incurred</u>
PROJECT COSTS	\$ 1,955,570	\$ 208
Less Grantee's Share (10%)	<u>(195,557)</u>	<u>(21)</u>
FEDERAL SHARE OF PROJECT COSTS	1,760,013	187
Less Federal Cash Received	<u>-</u>	<u>-</u>
BALANCE DUE FROM GRANT AWARD	\$ <u>1,760,013</u>	\$ <u>187</u>
ALLOWABLE PROJECT COSTS INCURRED - YEAR ENDED SEPTEMBER 30, 1999		\$ <u>187</u>
FEDERAL CASH RECEIVED - YEAR ENDED SEPTEMBER 30, 1999		\$ <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, 1999**

### **(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, 1999. The Federal Aviation Administration programs do allow, upon prior grantor approval, certain administrative expenses to be charged against the grants.

### **(3) Cost Allocation**

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, 1999**

### **(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, 1999

### Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed an unqualified 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 program is:

<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

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Organization did 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.