GUAM INTERNATIONAL AIRPORT AUTHORITY

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2001 AND 2000

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Guam International Airport Authority:

We have audited the accompanying balance sheets of Guam International Airport Authority (the "Authority"), a component unit of the Government of Guam, as of September 30, 2001 and 2000, and the related statements of operations and equity 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 of America 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Guam International Airport Authority as of September 30, 2001 and 2000, 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 of America.

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 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is 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 when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2002, on our consideration of the Guam International Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

January 3, 2002

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Balance Sheets
September 30, 2001 and 2000

ASSETS	2001	2000
Current assets:		
Cash	$ 1,851,560	$ 1,900,593
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $408,217 in 2001 and $152,696 in 2000	6,155,399	6,475,255
United States Government (note 12)	1,179,613	2,415,647
Prepaid expense	27,223	84,586
Total current assets	9,213,795	10,876,081
Restricted assets (notes 4 and 5):		
General Revenue Bonds, Series 1993:		
Investments and cash with trustees	99,911,783	95,628,963
Accrued interest	1,261,209	939,675
Total restricted assets	101,172,992	96,568,638
Airport facilities, at cost less accumulated depreciation (note 3)	295,350,268	294,889,920
Deferred bond issue costs	2,278,316	2,440,190
	$ 408,015,371	$ 404,774,829

See accompanying notes to financial statements.

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Balance Sheets, Continued
September 30, 2001 and 2000

LIABILITIES AND EQUITY	2001	2000
Current liabilities:		
Accounts payable - trade (note 11)	$ 5,431,680	$ 5,208,625
Other liabilities	377,535	374,992
Deferred income (note 8)	4,038,394	3,691,171
Current portion of annual leave	457,935	462,029
Total current liabilities other than those payable from restricted assets	10,305,544	9,736,817
Payable from restricted assets:		
General Revenue Bonds, Series 1993 (note 4):		
Current installments	4,375,000	4,130,000
Accrued interest	7,304,722	7,427,562
Accounts payable - construction	1,210,072	1,734,930
Total payable from restricted assets	12,889,794	13,292,492
Total current liabilities	23,195,338	23,029,309
Long-term portion of deferred income (notes 3 and 8)	10,000,000	-
Accrued unfunded liability to retirement fund (note 6)	2,815,827	2,535,186
Long-term portion of annual leave	528,982	578,057
Long-term bonds payable, less current installments (note 4):		
General Revenue Bonds, Series 1993	215,280,243	219,590,951
Total liabilities	251,820,390	245,733,503
Equity:		
Contributed capital:		
Government of Guam	1,439,712	1,439,712
United States Government	82,009,568	79,850,289
Other	37,971	37,971
Total contributed capital	83,487,251	81,327,972
Retained earnings	72,707,730	77,713,354
Total equity	156,194,981	159,041,326
Commitments and contingencies (notes 7, 9, 12 and 13)		
	$ 408,015,371	$ 404,774,829

See accompanying notes to financial statements.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Statements of Operations and Equity
Years Ended September 30, 2001 and 2000

	2001	2000
Revenues (notes 4 and 10):		
Facilities and systems usage charges	$ 18,253,634	$ 17,944,063
Concession fees (note 8)	16,682,526	17,072,031
Rental income	7,358,299	7,137,388
Miscellaneous	490,236	434,513
Total revenues	42,784,695	42,587,995
Operating costs and expenses:		
Contractual services	14,385,484	13,071,213
Personnel services	10,988,679	10,511,795
Materials and supplies	1,178,763	962,996
Bad debt expense	286,101	148,048
Total operating costs and expenses before depreciation	26,839,027	24,694,052
Depreciation and amortization	15,699,524	15,688,724
Total operating costs and expenses	42,538,551	40,382,776
Earnings from operations	246,144	2,205,219
Non-operating income (expense):		
Interest income	5,225,355	5,295,945
Interest expense	(13,294,420)	(14,270,149)
Passenger facility charge income	4,346,724	4,614,598
Typhoon gain (note 12)	-	37,578
Other expenses (notes 3 and 9)	(1,529,427)	(57,612)
Total non-operating expenses	(5,251,768)	(4,379,640)
Excess of expenses over revenue	(5,005,624)	(2,174,421)
Retained earnings at beginning of year	77,713,354	79,887,775
Retained earnings at end of year	72,707,730	77,713,354
Contributed capital at beginning of year	81,327,972	76,113,640
Contributions by the United States Government	2,159,279	5,214,332
Contributed capital at end of year	83,487,251	81,327,972
Equity at end of year	$ 156,194,981	$ 159,041,326

See accompanying notes to financial statements.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2001 and 2000

	2001	2000
Cash flows from operating activities:		
Cash received from customers	$ 47,512,397	$ 45,880,360
Cash paid to suppliers and employees for goods and services	(27,571,920)	(22,930,028)
Net cash provided by operating activities	19,940,477	22,950,332
Cash flows from investing activities:		
(Purchase) sales of investments with trustee	(4,282,820)	1,831,576
Investment interest income	4,903,821	4,836,282
Net cash provided by investing activities	621,001	6,667,858
Cash flows from non-capital financing activities:		
Cash received from U.S. Government for environmental monitoring	10,000,000	-
Cash flows from capital and related financing activities:		
Acquisition and construction of airport facilities	(16,522,856)	(14,698,370)
Principal payment on General Revenue Bonds, Series 1993	(4,130,000)	(3,910,000)
Interest paid on General Revenue Bonds, Series 1993	(13,352,968)	(14,317,801)
U.S. Government capital contributions	3,395,313	3,966,767
Net cash used for capital and related financing activities	(30,610,511)	(28,959,404)
Net (decrease) increase in cash	(49,033)	658,786
Cash at beginning of year	1,900,593	1,241,807
Cash at end of year	$ 1,851,560	$ 1,900,593

See accompanying notes to financial statements.

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Statements of Cash Flows, Continued
Years Ended September 30, 2001 and 2000

	2001	2000
Reconciliation of earnings from operations and other income (expense) to net cash provided by operating activities:		
Earnings from operations	$ 246,144	$ 2,205,219
Passenger facility charge income	4,346,724	4,614,598
Typhoon gain (note 12)	-	37,578
Other expense	(1,529,427)	(57,612)
	3,063,441	6,799,783
Adjustments to reconcile earnings from operations and other income (expense) to net cash provided by operating activities:		
Depreciation and amortization	15,699,524	15,688,724
Bad debt expense	286,101	148,048
Decrease (increase) in assets:		
Accounts receivable - trade	33,755	(708,888)
Receivable from FEMA	-	(205,633)
Prepaid expense	57,363	(82,304)
Increase (decrease) in liabilities:		
Accounts payable - trade	223,055	1,701,593
Accrued unfunded liability to retirement fund	280,641	232,982
Other liabilities	(50,626)	(10,628)
Deferred income	347,223	(613,345)
Total adjustments	16,877,036	16,150,549
Net cash provided by operating activities	$ 19,940,477	$ 22,950,332

See accompanying notes to financial statements.

(1) Organization

The Guam International Airport Authority (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. All assets and liabilities were transferred from the Department of Commerce to the Authority at book value effective January 20, 1976.

(2) Summary of Significant Accounting Policies

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 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. 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 of the Committee on Accounting Procedures issued on or before November 30, 1989. The Authority has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Cash. For the purpose of the balance sheets and the statements of cash flows, cash is defined as cash on hand, cash on deposit in banks and cash in unrestricted money market accounts.

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

Capitalization of Interest. The Authority charges to construction in progress interest incurred during the period of construction. For projects constructed with the proceeds of the Authority's tax exempt bonds, interest capitalized is computed based on the interest expense incurred on the bond proceeds restricted to construction or repayment of the bonds less interest income earned on investment of bond proceeds. Interest is capitalized in accordance with Statement of Financial Accounting Standards No. 34 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.

Accrued Vacation Leave. Employees are credited for vacation leave at rates of 104, 160 or 208 hours per fiscal year, depending upon their lengths of service. Accumulation of such vacation credits is limited to 480 hours at fiscal year-end and is convertible to pay upon termination of employment.

Bond Discount. The discount on the 1993 General Revenue Bonds is being amortized on a weighted-average basis over the life of the bond issue.

(2) Summary of Significant Accounting Policies, Continued

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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.

Passenger Facility Charges. Passenger Facility Charges (PFCs) generate revenue 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 revenues are recorded as nonoperating income in the statements of operations.

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 is self insured for earthquake and typhoon risks as disclosed in note 9. The Authority is of the opinion that no material losses have occurred as a result of self insuring for these risks since the super typhoon in 1997 (note 12).

Reclassifications: Certain balances in the 2000 financial statements have been reclassified to correspond to the 2001 presentation.

(3) Airport Facilities

Airport facilities at September 30, 2001 and 2000, consist of the following:

	2001	2000
Terminal building	$ 286,442,787	$ 292,789,553
Apron area	28,582,338	25,253,485
Terminal area	22,033,195	22,762,719
Other buildings	26,080,786	19,501,368
Airfield area	23,597,888	11,236,546
Support facilities	900,327	3,960,913
	387,637,321	375,504,584
Less accumulated depreciation	(117,467,162)	(113,848,698)
	270,170,159	261,655,886
Construction in progress	25,180,109	33,234,034
	$ 295,350,268	$ 294,889,920

Interest capitalized for the years ended September 30, 2001 and 2000, was $1,315,024 and $584,975, 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.

(3) Airport Facilities, Continued

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. In fiscal year 2001, the Navy paid the Authority $10 million and the Authority and the Government of Guam will assume the responsibility for completion of certain environmental monitoring on the property (see notes 8 and 9). This payment from the Navy was recorded as non-current deferred revenue in the accompanying 2001 financial statements.

(4) Long-Term Revenue Bonds Payable

Long-term revenue bonds payable at September 30, 2001 and 2000, consist of the following:

	2001	2000
General Revenue Bonds, Series 1993 (original issue of $240,015,000):		
Varying interest rates (5.7% - 6.7%) payable semiannually in October and April, principal and mandatory sinking fund payments due in varying annual installments with $405,000 due in October, 1994, and increasing to $17,800,000 by October 2023.	$ 220,560,000	$ 224,690,000
Less current installments	4,375,000	4,130,000
	216,185,000	220,560,000
Less net unamortized discount on bonds	904,757	969,049
	$ 215,280,243	$ 219,590,951

Bond principal and mandatory sinking fund installments payable by the Authority to the bond trustees through 2006 and subsequent years are as follows:

Year Ending September 30,	
2002	$ 4,375,000
2003	4,660,000
2004	4,950,000
2005	5,265,000
2006	5,600,000
Subsequent years	195,710,000
	$ 220,560,000

The General Revenue Bonds, Series 1993, were authorized and issued in two groups - Series A - $30,740,000 and Series B - $209,275,000 - for the purposes of refunding existing outstanding bonds, the General Revenue Bonds, Series 1979, and for providing funds to finance the construction, expansion, and upgrading of and improvements to the airport facilities. The General Revenue Bonds, Series 1993, including interest, are payable solely 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. Neither the payment of the principal of the bonds, nor any interest thereon, is a debt, liability or obligation of the Government of Guam.

(4) Long-Term Revenue Bonds Payable, Continued

The bond indentures include certain debt service and reserve requirements including the requirement that net revenues as defined in the bond indentures, equal at least 125% of the annual debt service. The Authority has determined that no material noncompliance occurred during the years ended September 30, 2001 and 2000.

(5) 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 monies. At September 30, 2001 and 2000, investments and cash held by the trustees, in trust for the Authority, in these funds and accounts are as follows:

	2001	2000
Capital Improvement Fund	$ 27,492,264	$ 24,507,052
Bond Reserve Funds	19,675,096	18,999,985
Federal Grant Fund	13,454,741	460,273
Bond Funds	11,830,259	11,681,285
Renewal and Replacement Fund	11,688,799	10,113,763
Operations and Maintenance Reserve Fund	7,109,108	8,181,163
General Revenue Fund	6,522,639	18,524,559
Passenger Facility Charge Fund	1,915,831	572,697
Operations and Maintenance Fund	223,046	2,588,186
	$ 99,911,783	$ 95,628,963

The Authority's restricted investments and cash at September 30, 2001 and 2000, are held by the Authority's trustees. Investments are stated at amortized cost with accrued interest shown under a separate balance sheet caption. The carrying value of restricted investments and cash at September 30, 2001 and 2000 are as follows:

	2001	2000
Money market/trust funds	$ 27,959,241	$ 37,636,105
Investment agreements	19,675,096	18,999,985
Short-term investments (commercial paper and corporate bonds)	50,279,321	38,992,873
U.S. Treasury notes	1,998,125	-
	$ 99,911,783	$ 95,628,963

The market value of restricted investments and cash at September 30, 2001 and 2000 approximates its carrying value.

Under Governmental Accounting Standards, credit risk associated with investments is categorized into three levels generally described as follows:

Category 1 - Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category 2 - Uninsured and unregistered, or securities held by a party other than the Authority or its agent, but in the Authority's name.

(5) Investments and Cash with Trustees, Continued

Category 3 - Uninsured and unregistered, with securities held by a party other than the Authority and not in the Authority's name.

The bond funds have been classified as Category 3 investments and the bond reserve funds have been classified as Category 1 investments in accordance with Governmental Accounting Standards Board (GASB) Statement #3. A portion of the federal grant fund as of December 31, 2001 of $12,891,731 has been classified as a Category 3 investment. All other investments held by the trustees at September 30, 2001 and 2000, have been classified as Category 1 and 2 investments, respectively.

The Authority maintains its cash in bank accounts which at times may exceed federal depository insurance limits. At September 30, 2001 and 2000, $200,000 and $100,000, respectively, of deposits are covered by federal depository insurance, with the remainder being uninsured and uncollateralized.

(6) Employees' Retirement Plan

Employees of the Authority hired before September 30, 1995 are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the new Defined Contribution Retirement System (DCRS). Until 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 Defined Contribution Retirement System. Otherwise, they remained under the old plan.

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

As a result of the most recent actuarial valuation performed as of September 30, 2000, it has been determined that for the year ended September 30, 2001, a minimum combined employer and employee contribution rate of 34.64% of covered Defined Benefit Plan payroll is required to appropriately fund the current cost, amortize prior service costs and provide for interest on the unfunded accrued liability. Statutory contribution rates for employee and employer contributions were 9.5% and 19.675%, respectively, for the year ended September 30, 2001. The effect of the Authority's prior year accruals for its share of pension underfunding reduces the actuarially determined employer contribution rate from 25.14% to an effective rate of 22.90% for the year ended September 30, 2000. In recognition of the above, an accrual increase of 3.225% of covered payroll is necessary to adjust the unfunded liability based on the difference between the effective rate of 22.90% and the employer’s statutory rate of 19.675%. The effective employer accrual rate for the year ended September 30, 2000 was 21.71%.

The plan utilized the actuarial cost method termed "entry age normal" with an assumed rate of return of 8% and an assumed salary scale increase of 5.5% per annum. The most recent actuarial valuation performed as of September 30, 2000, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor. If the actuarial valuation were performed for the Authority as a separate sponsor, the accrued unfunded liability at September 30, 2001 and 2000, may be materially different than that recorded in the accompanying financial statements.

(6) Employees' Retirement Plan, Continued

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.

Employer contributions into the DCRS are based on a statutory amount of 19.675% of the member's regular base pay. 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 14.675% 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.

Retirement expense for the years ended September 30, 2001 and 2000 is as follows:

	2001	2000
Cash contributions	$ 1,532,804	$ 1,418,667
Adjustment of accrued unfunded liability	280,641	232,982
	$ 1,813,445	$ 1,651,649

(7) Leases

DFS

In August, 1978, DFS was selected as primary concessionaire for the airport terminal for a twenty year term commencing January 1982. Rent during the twenty year term shall be the greater of the following:

1. One hundred forty million seventy dollars (the "minimum guarantee"); or
2. Percentage rent which shall be as follows:

a.	First through 15th concession year	10% of gross receipts
b.	16th concession year	11% of gross receipts
	17th concession year	12% of gross receipts
	18th concession year	13% of gross receipts
	19th concession year	14% of gross receipts
	20th concession year	15% of gross receipts

or

During the extended term, 85% of the percentage rent or the extended term percentage rent paid in the immediately preceding concession year.

The future minimum lease receipts under the remainder of this lease are $5,697,991 for the year ending September 30, 2002.

(7) Leases, Continued

DFS, Continued

DFS has deposited with the Authority an irrevocable letter of credit. In the event of default on the lease agreement by the concessionaire, the then outstanding face amount of the letter of credit may be drawn upon by the Authority in satisfaction of the concessionaire's liability under the lease. At September 30, 2001, the face amount of the letter of credit was $2,000,000.

Other leases

The Authority has lease agreements with scheduled air carriers, various concessionaires and airport users providing the lessees with the use of the airport's system facilities, equipment and services. The agreements with all signatory airlines are in effect until 2003 through 2007 with the terminal building rents and other user fees commencing October 1, 1996. The agreements with two petroleum resellers expire in August 2021. Leases with five rent-a-car companies are on a month to month basis.

The future minimum rentals on noncancellable operating leases (excluding the DFS lease described above) as of September 30, 2001, are as follows:

Year Ending September 30,	
2002	$ 5,319,397
2003	3,447,881
2004	982,379
2005	863,426
2006	863,426
Thereafter	5,060,110
Total minimum lease payments receivable	$ 16,536,619

(8) Deferred Income

The current portion of deferred income at September 30, 2001 and 2000, consists primarily of two balances. One is the remaining portion of the DFS "minimum guarantee" (see note 7) rental payment of $5,500,035 received on July 20, 2001 and $4,500,000 received on July 20, 2000, respectively. Income is being recognized on a straight-line basis over the six-month term of the payment with the amortized portion included in concession fee revenues. The second balance is approximately $338,936 and $719,272 at September 30, 2001 and 2000, respectively, which resulted from a Authority's lessee paying for its tenant improvements. The Authority agreed to reduce the lessee's rent over five years as reimbursement for the improvements. The long-term portion of deferred income of $10,000,000 at September 30, 2001 was received under an environmental cooperative agreement with the United States Navy, where the Authority and the Government of Guam assumed the responsibility for completion of certain environmental monitoring work. As of September 30, 2001, no amount has been spent for this specific purpose (see notes 3 and 9).

(9) Commitments and Contingencies

Environmental Monitoring

In September 2000, the Navy transferred 1,417 acres of property to the Authority and the Government of Guam at no cost. In November 2000, the Navy paid the Authority $10 million. In exchange for the payment, the Authority and the Government of Guam agreed to complete certain environmental monitoring work on the property even if the cost of the environmental monitoring work exceeds the $10 million remitted by the Navy. Under this cooperative agreement, the United States Navy may terminate or suspend the agreement if the Authority and the Government of Guam fail to complete such monitoring work. The $10 million received has been recorded as non-current deferred income. The cost of the environmental monitoring work is presently not determinable. Accordingly, no loss, if any, that may result from the matter, has been recorded in the accompanying financial statements for this transaction. As part of its transitional plan of the property transferred from the Navy, the Authority was appointed, by the Governor of Guam through Executive Order, as the lead agency and caretaker of the Tiyan Reuse Authority (TRA), effective October 1, 2000. TRA functions to maintain and upkeep the transferred property. For the year ended September 30, 2001, the Authority incurred TRA payroll costs in the amount of $1,232,556 which have been recorded as a non-operating expense. The Authority is responsible for TRA payroll expenses through September 30, 2002.

Commitments

The Authority has commitments of $4,617,685 and $2,118,871 under several contracts at September 30, 2001 and 2000, respectively.

Self-insurance

The Authority has adopted a policy of self-insuring its facilities for earthquake and typhoon coverage. The Authority has also adopted a policy of depositing $1 million annually, in the Renewal and Replacement Fund to cover self-insured damage in the event of a natural catastrophe. The balance in the Renewal and Replacement Fund at September 30, 2001 is $11,688,799.

Government of Guam General Fund

The Guam Legislature has enacted legislation which requires certain autonomous proprietary funds, including the Authority, to remit certain amounts to the Government of Guam General Fund on an annual basis. Management of the Authority is of the opinion that the wording of the legislation is not in compliance with federal requirements. Accordingly, no liability has been recorded for this contingency as of September 30, 2001.

Litigation

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

(9) Commitments and Contingencies, Continued

Aircraft Crash

In August 1997, an airliner crashed on approach to the Airport runways, resulting in over two hundred fatalities and numerous injuries. In 1999, six claims relating to the crash were filed against the Authority. The Authority has denied all six claims. The Authority understands that the claimants have settled their claims with the Airlines and the U.S. Government and do not intend to pursue any action against the Authority. If the claimants decide to further pursue these actions, defense will be handled by the Authority's insurer. Management is of the opinion that the Authority will incur no liability as the result of these claims.

(10) Major Customers

The primary concessionaire accounted for 24% and 25% of total operating revenues during the years ended September 30, 2001 and 2000, respectively. Approximately 35% and 33% of the Authority's total revenues for the years ended September 30, 2001 and 2000, respectively, were derived from one airline customer.

(11) Customs, Agriculture and Quarantine Inspection Services Charge

During the years ended September 30, 2001 and 2000, 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, 2001 and 2000, the Authority has payables to the Treasurer of Guam of $2,122,167 and $1,750,517, respectively, for the above charges. The fees are not reflected as an expense or revenue by the Authority.

(12) Typhoon Damage

In December 1997, Guam was struck by a supertyphoon. The Authority has recorded in accounts receivable-United States Government, an estimated claim receivable in the amount of $414,128 from the Federal Emergency Management Agency (FEMA) at September 30, 2001 and 2000:

The gain from typhoon and related recoveries for 2000 was determined as follows:

Estimated damage	$ 1,257,499
Less costs to be capitalized	(73,790)
Total estimated losses	1,183,709
Estimated recoveries	(1,119,722)
Net loss	63,987
Cumulative net losses recognized through September 30, 1999	(101,565)
Gain from typhoon and related recoveries in 2000	$ (37,578)

(12) Typhoon Damage, Continued

Damage and recoveries are based on currently available information. A claim has been filed with FEMA on the outstanding receivable and management is of the opinion that the majority of the amount is recoverable. However, the Authority may be subject to additional typhoon repair costs as a result of the transfer of property and facilities from the Navy in September 2000. As a result, final typhoon costs and related recoveries may differ significantly from those estimated.

(13) September 11, 2001

On September 11, 2001, a series of aviation related terrorist attacks were made on the United States of America. As a result of the attacks, the Federal Aviation Administration (FAA) ordered airports across the Untied States, including the Authority, to close pending recertification of their security systems and procedures. The FAA has also required that all airports upgrade security systems, procedures and facilities as a result of the attack.

The immediate impact of the attacks and the subsequent FAA orders was that the Guam International Air Terminal was closed for two days. The Authority lost six days of operations following the attacks and operations were greatly reduced for the balance of the month. The Authority has been required to significantly upgrade security policies and procedures including an increase in security personnel.

The long-term impact of the attacks is that there has been a significant reduction in air travel by Japanese and other Asian travelers who make up the bulk of the Authority's ultimate customers. The Authority experienced a significant decline in revenue during the second half of September 2001 and the decline in revenue from previous years has continued during the first quarter of fiscal year 2002.

The Authority continues to incur additional security related costs and has begun or will begin construction on several security related projects in fiscal year 2002. The ultimate cost of these additional security measures and the related level of FAA reimbursement to the Authority cannot presently be estimated. In fiscal year 2002, the Authority reduced many of its facilities and systems use charge rates to the airlines to encourage them to minimize the reduction of flights to Guam. Facilities and system use charge rates will be reevaluated for the second half of fiscal year 2002. The Authority is presently not able to determine when revenues will reach previous year levels.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Schedule 1

Facilities and Systems Usage Charges
Years Ended September 30, 2001 and 2000

	2001	2000
Arrival facilities	$ 5,142,841	$ 5,071,948
Departure facilities	4,965,807	4,966,313
Public apron	2,253,183	2,533,543
Immigration	1,818,288	1,787,579
Passenger loading bridge usage charge	1,811,926	1,588,103
Landing fees	1,344,483	1,520,725
Fuel flowage fee	252,953	251,274
Utility recovery charge and other fees	664,153	224,578
	$ 18,253,634	$ 17,944,063

Schedule 2

Concession Fees
Years Ended September 30, 2001 and 2000

	2001	2000
General merchandise	$ 10,238,158	$ 10,823,297
Ground transportation	3,091,206	2,921,494
In-flight catering	837,008	870,068
Car rental	763,529	772,457
Food and beverage	497,612	522,608
Parking lot	448,285	412,118
Advertising	431,128	408,916
Other	375,600	341,073
	$ 16,682,526	$ 17,072,031

Schedule 3

Rental Income
Years Ended September 30, 2001 and 2000

	2001	2000
Operating space		
- Airline	$ 3,388,623	$ 3,261,618
- Non-airline	1,633,690	1,626,908
Building and maintenance shop rentals	877,542	819,846
Cargo rentals	504,126	503,758
Other	954,318	925,258
	$ 7,358,299	$ 7,137,388

See accompanying independent auditors' report.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Schedule 4

Contractual Services
Years Ended September 30, 2001 and 2000

	2001	2000
Repairs and maintenance	$ 5,057,099	$ 4,972,787
Utilities and telephone	4,717,766	3,442,340
Professional services	1,754,598	2,075,613
Advertising and promotions	869,011	825,156
Travel	691,799	443,363
Insurance	623,326	531,664
Miscellaneous	671,885	780,290
	$ 14,385,484	$ 13,071,213

Schedule 5

Personnel Services
Years Ended September 30, 2001 and 2000

	2001	2000
Salaries and wages	$ 8,596,292	$ 8,364,359
Retirement contributions	1,813,445	1,651,649
Insurance	578,942	495,787
	$ 10,988,679	$ 10,511,795

Schedule 6

Materials And Supplies
Years Ended September 30, 2001 and 2000

	2001	2000
Equipment and vehicle maintenance and supplies	$ 592,936	$ 491,251
Office and security supplies	204,337	146,843
Building maintenance and supplies	137,208	133,234
Electrical and plumbing	115,624	156,316
Miscellaneous	128,658	35,352
	$ 1,178,763	$ 962,996

See accompanying independent auditors' report.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Schedule 7

Insurance Coverage
Year Ended September 30, 2001

Name of Insurer	Policy		Risk Coverage
Lloyds of London	Airport Operators Liability	$	500,000,000
Lloyds of London	Property Insurance	$	200,000,000
Chubb	Directors & Officers Liability	$	2,000,000
National Union Fire Insurance	Automobile	$	1,000,000
National Union Fire Insurance	Workers' Compensation	$	1,000,000
American Home Assurance Co.	Excess Automobile	$	1,000,000
National Union Fire Insurance	Honesty and Faithful Performance Bond	$	825,000
AON	Employment Practices Liability	$	1,000,000
AIG	Environmental Liability	$	100,000,000

See accompanying independent auditors' report.

GUAM INTERNATIONAL AIRPORT AUTHORITY

Schedule 8

Reconciliation of Historical Financial Results
Years Ended September 30, 2001 and 2000

	2001	2000
Net (loss) earnings (per financial statements):		
Operating revenues	$ 52,356,774	$ 52,498,538
Operating expenses	26,839,027	24,694,052
Operating income before depreciation	25,517,747	27,804,486
Depreciation	15,699,524	15,688,724
	9,818,223	12,115,762
Interest and other expense	14,823,847	14,290,183
Net loss	$ (5,005,624)	$ (2,174,421)
Net Revenues (per Bond Resolution):		
Revenues	$ 50,176,629	$ 50,740,847
Operation and maintenance expenses	26,839,027	24,694,052
Net revenues	23,337,602	26,046,795
Asset purchases	-	10,535
Required fund deposits	11,462,581	10,020,424
Net revenues available for debt service	$ 11,875,021	$ 16,015,836
Reconciliation:		
Net loss	$ (5,005,624)	$ (2,174,421)
Add back:		
Depreciation	15,699,524	15,688,724
Interest and other expense	14,823,847	14,290,183
Deduct:		
Interest income on funds related to construction	(2,180,145)	(1,757,691)
Asset purchases	-	(10,535)
Required fund deposits	(11,462,581)	(10,020,424)
	$ 11,875,021	$ 16,015,836

See accompanying independent auditors' report.