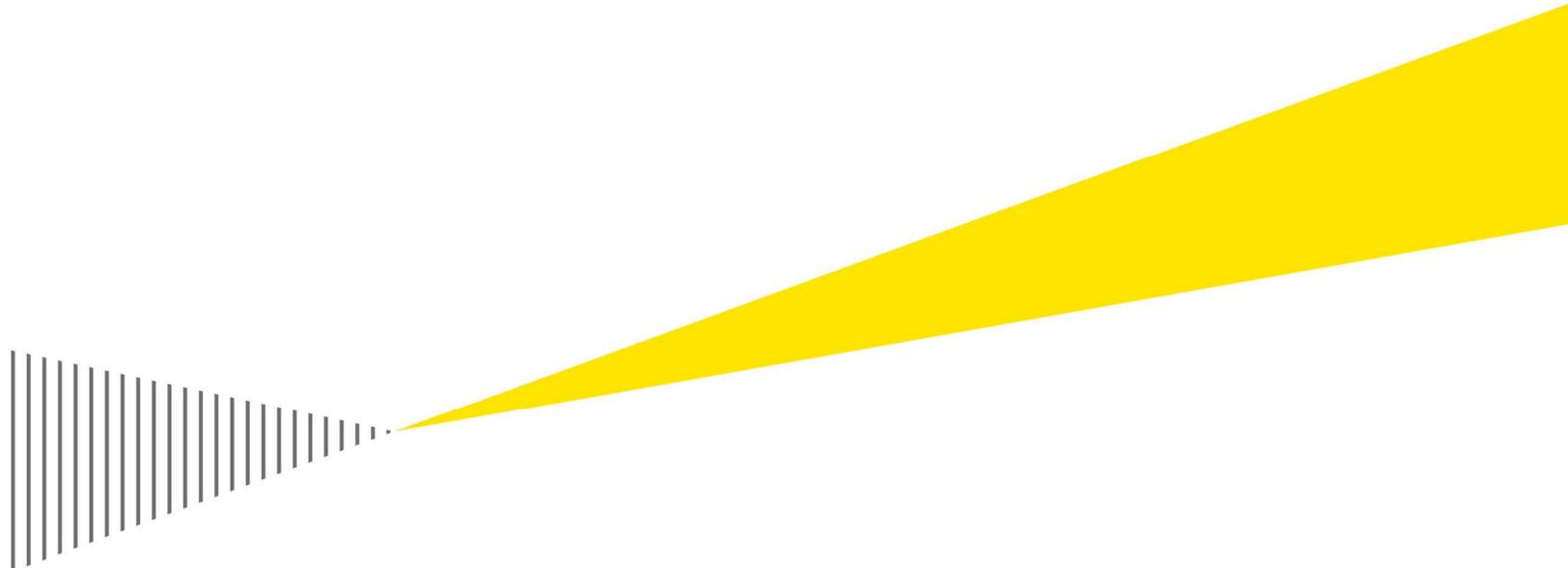


*The Auditor's Communication With Those Charged  
With Governance*

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

*Year ended September 30, 2014*



**Building a better  
working world**



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January 29, 2015

The Board of Directors  
Antonio B. Won Pat International Airport Authority, Guam  
P.O. Box 8770  
Tamuning, Guam 96931

Dear Sirs:

We have performed an audit of the financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2014, 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, and have issued our report thereon dated January 29, 2015.

## **REQUIRED COMMUNICATIONS**

Professional standards require the auditor to provide the Board of Directors (the Board or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Board (or those charged with governance) in overseeing the financial reporting and disclosure processes which the management of the Authority is responsible. We summarize these required communications as follows:

### **Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)**

The financial statements are the responsibility of the Authority's management. Our audit was designed 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, to obtain reasonable, rather than absolute, assurance that 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.

### **Auditors' Responsibilities under US GAAS and GAGAS, continued**

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.

As part of our audit, we considered the Authority's internal control over financial reporting as a basis for designing audit procedures that were appropriate in the circumstances.

As described in our engagement letter dated August 26, 2011, the objective of a financial statement audit performed in accordance with US GAAS and GAGAS is as follows:

1. To express an opinion on whether the basic financial statements of the Authority are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. To conduct an audit in accordance with the Single Audit Act Amendments of 1996 and the provisions of OMB Circular A-133 and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express an opinion on compliance for each major program and to render the required reports.
2. To provide a report on internal control over financial reporting related to the financial statements and compliance with laws, regulations and the provisions of contracts or grant agreements and other matters, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*. We will not perform sufficient procedures to render an opinion on internal control over financial reporting nor on compliance with provisions of laws, regulations, contracts or grant agreements and other matters, and therefore, we will not express such an opinion.
3. To report on the fairness of the schedule of expenditures of federal awards when considered in relation to the financial statements as a whole. We also will report on internal control related to major programs and provide an opinion on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133.

### **The Adoption of, or a Change in Significant Accounting Policies**

We determined that the Board is informed about the initial selection of, and any changes in significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.

### **Auditor's Judgments about the Quality of the Authority's Accounting Principles**

We discussed our judgments about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.

### **Sensitive Accounting Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

We determined that the Board is informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor the Authority's operations. These budgets include determining how existing financial resources will be used in the Authority's operations.
- Determining the valuation of investments.
- Determining the adequacy of the recorded valuation of receivables, including the need for any reserve.
- Determining useful lives in the calculation of depreciation expense.
- Determining assumptions utilized in measuring pension and other employee-related reserves and related costs for financial accounting purposes.

### **Significant Audit Adjustments**

During our audit, several post-closing journal entries were recorded while we were conducting our fieldwork.

### **Uncorrected Misstatements Considered by Management to be Immaterial**

Certain uncorrected misstatements accumulated by us (i.e. adjustments either identified by us or brought to our attention by management) were identified during the audit and pertaining to the latest period presented, which were determined by the Authority's management to be immaterial, both individually and in the aggregate, to the financial statements as a whole (see Appendix A – *Summary of Uncorrected Misstatements*).

### **Other Information in Documents Containing the Audited Financial Statements**

We reviewed the Management's Discussion and Analyses and other supplementary schedules to the financial statements to ensure consistency with the audited financial statements.

### **Consultation with Other Accountants**

We are not aware of any consultations that management may have had with other accountants regarding any significant auditing and accounting matters during the fiscal year ended September 30, 2014.

### **Disagreements with Management on Financial Accounting and Reporting Matters**

There were no material disagreements with the Authority's management on financial accounting and reporting matters during the audit.

### **Major Issues Discussed with Management Prior to Retention**

There were no major accounting issues discussed with the Authority's management prior to our retention.

### **Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Issues**

We are not aware of any significant unusual transactions recorded by the Authority, or of any significant accounting policies used by the Authority related to controversial or emerging areas for which there is lack of authoritative guidance.

### **Serious Difficulties Encountered in Dealing with Management in Performing the Audit**

There were no serious difficulties encountered in dealing with management in performing the audit.

### **Fraud and Illegal Acts**

We are not aware of any matters that require communication. Furthermore, the Authority's management has represented to us that they were not aware of any fraud or illegal acts for the period from October 1, 2013 to January 29, 2015 (see Appendix B – *Management's Representation Letter*).

### **Significant Deficiencies and Material Weaknesses in Internal Control**

We did not identify any control deficiencies in internal control during the course of our audit.

### **Control Related Matters**

We have issued a separate report to you, dated January 29, 2015, on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. Within those reports, we noted a certain matter that was considered to be a significant deficiency under standards established by the American Institute of Certified Public Accountants. We have also issued a separate report of you, also dated January 29, 2015, involving the Authority's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

We have communicated to management, in a separate letter also dated January 29, 2015, certain deficiencies and other matters related to the Authority's internal control over financial reporting and to the Authority's internal control over its information technology environment that we identified during the audit.

Although we have included management's written responses to our comments, such responses have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

### **Independence**

We are not aware of any relationships between Ernst & Young and our related entities, and the Authority, or any other matters that in our professional judgment, may reasonably be thought to bear on our independence.

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

We confirm that we are independent with respect to the Authority within the meaning of the applicable published rules and pronouncements, its interpretations and rulings.

\*\*\*\*\*

This report is intended solely for the use of the Authority's board of directors and management, the Office of Public Accountability of Guam, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

*Ernst + Young LLP*

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

## Appendix

A – Summary of Uncorrected Misstatements

B – Management’s Representation Letters

A – Summary of Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: Antonio B. Won Pat International Airport Authority, Guam

Period Ended: 30-Sep-2014

Currency: USD

No.	W/P ref.	Account	Analysis of misstatements				Effect on the current period OCI		Income statement effect of the current period		Income statement effect of the prior period	
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Prior period Debit/(Credit)	Non-taxable
<b>Uncorrected misstatements:</b>												
FY14 SAD 01		V00420 Prior period adjustment to record expenses posted in FY14 that pertain to services incurred in FY13. 25.421 - Retained earnings 420.841, TB Prof Svc - Term Bldg					45,313			(45,313)		X
FY14 SAD 04		ICJE To record additional term for the concession lease. 25.1311, TB Trade AVR 70.5311, TB Gen Mase		27,753						(27,753)		X
<b>Projected misstatements:</b>												
FY14 SAD 02		Q0130 Interest expense is recorded to October 1, 2014, as such we computed one day's worth of interest to match the Authority's September 30 year-end. 25.320,13BND Gen Rev Bb-Interest 90.9331,13BND Interest Expense-2013			30,051					(30,051)		X
FY14 SAD 03		P0110 To reverse the over accrual on salaries based on our reasonableness test. 25.3147 Accrued salaries and wages 25.3171 Clearing Account-Payroll			85,540 (85,540)							X
FY13 SAD 02		To accrue interest on bonds payable for the period of September 13-30, 2013. xx.xxx Interest expense xx.xxx Accrued interest on bonds payable									151,546	X
<b>Judgmental misstatements:</b>												
FY14 SAD 05		N0116 To record the accrual for services on capital projects. 25.281 Work in progress 25.3231 AP-Construction		107,736						(107,736)		X
<b>Total of uncorrected misstatements before income tax</b>				27,753		9	45,313			(111,117)		151,546



B – Management’s Representation Letters



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January 29, 2015

Ernst & Young LLP  
Suite 201, Ernst & Young Building  
231 Ypao Road  
Tamuning, Guam 96913

In connection with your audits of the financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority) as of September 30, 2014 and 2013 and for the years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Authority in conformity with US generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief.

***Management’s responsibilities***

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated August 26, 2011, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding periods.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit



B – Management’s Representation Letters, continued

A.B. Won Pat International Airport Authority, Guam  
Letter of Representation

January 29, 2015

*Management’s responsibilities, continued*

- Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

*Governmental entities*

We recognize that we are responsible for the Authority’s compliance with the laws, regulations, grant agreements and contracts that are applicable to it. We have identified and disclosed to your representatives all laws and regulations that have direct and material effect on the determination of financial statement amounts.

*Uncorrected misstatements*

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

*Internal control*

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

*Minutes and contracts*

The dates of meetings of shareholders, directors, committees of directors and important management committees from October 1, 2013 to January 29, 2015 are as follows:

<u>Date Meeting</u>	<u>Type</u>
October 31, 2013	Regular
November 27, 2013	Regular
December 27, 2013	Regular
January 15, 2014	Special
January 30, 2014	Regular
February 27, 2014	Regular
April 24, 2014	Regular
May 29, 2014	Regular
June 26, 2014	Regular
July 31, 2014	Regular

B – Management’s Representation Letters, continued

A.B. Won Pat International Airport Authority, Guam  
Letter of Representation

January 29, 2015

*Minutes and contracts, continued*

August 28, 2014	Regular
September 26, 2014	Regular
December 3, 2014	Regular

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

*Risks and uncertainties*

There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 275, *Risks and Uncertainties*.

*Environmental liabilities*

We have disclosed to you all significant environmental matters and have made available to you all significant relevant information related to them. The environmental liabilities included in the accompanying statements of net position represents our best estimate of the potential losses using assumptions that we believe represent the expected outcomes of the uncertainties. The disclosures of environmental matters in the financial statements are adequate.

*Environmental Response Actions*

As discussed in Note 4, in September 2000, the Navy transferred 1,417 acres of property to the Authority and Government of Guam at no cost. In fiscal year 2001, the Navy paid the Authority \$10,000,000 as a lump sum but not in accordance to the payment provisions of the Quitclaim Deed from the Navy. In exchange for the payment, the Authority and the Government of Guam apparently assumed obligations for environmental response actions addressing specific groundwater contamination even if the cost of the response actions exceeds the \$10 million received from the Navy. The Authority’s management has received the final draft of the Decision Document (DD) for Operable Unit 3 (OU3) which is the groundwater located under the former Naval Air Station. The DD presents the selected remedy for OU3 which is the remedial alternative 3. It calls for extraction and treatment at Well NAS-1 and future wells, if necessary, and natural attenuation. The DD identifies the Navy as the lead agency for the cleanup with support agencies that include the Authority, Guam Environmental Protection Agency (GEPA)

B – Management’s Representation Letters, continued

A.B. Won Pat International Airport Authority, Guam  
Letter of Representation

January 29, 2015

*Environmental liabilities, continued*

*Environmental Response Actions, continued*

and the US EPA. The Navy, the Authority and GEPA are the authorized signatories for the DD. After a due diligence review, the DD is expected to be executed during fiscal year 2015.

The Authority’s responsibilities under the draft DD are limited to sampling and testing as currently performed. The new task is for the Authority to conduct a 5 year review to ensure the remedial action is or will be protective of human health and the environment. This new task may reduce the ongoing sampling and testing requirements or completely eliminate them. Moreover, the granular activated carbon (GAC) treatment provided under the Authority’s new water system satisfies the GAC treatment component of future wells meeting the selected remedy. No further obligation of the Authority is required under the draft DD. A portion of the remaining balance of the \$10 million received from the Navy, although reprogrammed to the Capital Improvement Fund, may remain as a contingent unencumbered sum to pay for future sampling and testing requirements.

*Ownership and pledging of assets*

There are no properties capitalized under capital leases. The Authority has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged except as disclosed in the financial statements. All assets to which the Authority has satisfactory title appear in the statements of net position.

*Receivables and revenues*

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the dates of the statements of net position, goods shipped on consignment, or other types of arrangements not constituting sales. All revenue recognized as of the balance sheet date(s) has been realized (or is realizable) and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) goods have been delivered or services rendered, (3) consideration to be received is fixed or determinable and (4) collectability is reasonably assured.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the dates of the statements of net position in respect of sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at those dates.

We have adequately disclosed a description of our major revenue-generating services, the types of arrangements used to deliver these services, and a description of the revenue recognition policies applicable to these products or services.

B – Management’s Representation Letters, continued

A.B. Won Pat International Airport Authority, Guam  
Letter of Representation

January 29, 2015

***Receivables and revenues, continued***

We have disclosed to you all terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

***Financial instruments***

The Authority has properly classified equity securities with readily determinable fair values as either available-for-sale or trading.

The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

1. The extent, nature and terms of financial instruments with off-balance-sheet risk.
2. The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments.
3. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

***Deferred charges***

We believe that all material expenditures for which recognition has been deferred to future periods are recoverable.

***Long-lived assets, including amortizable intangible assets***

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

***Events of default under debt agreements***

No events of default have occurred with respect to any of the Authority’s debt agreements.

***Contingent liabilities***

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with ASC 450-20, *Contingencies – Loss Contingencies* other than those disclosed in the financial statements.

B – Management’s Representation Letters, continued

A.B. Won Pat International Airport Authority, Guam  
Letter of Representation

January 29, 2015

*Contingent liabilities, continued*

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws

or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by ASC 450, *Contingencies* other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of ASC 450.

*Oral or written guarantees*

There are no oral or written guarantees, including guarantees of the debt of others.

*Arrangements with financial institutions*

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

*Purchase commitments*

At September 30, 2014 and 2013 the Authority had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at the dates of the statement of net assets as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

*Fraud*

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority’s internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

B – Management’s Representation Letters, continued

A.B. Won Pat International Airport Authority, Guam  
Letter of Representation

January 29, 2015

***Fraud, continued***

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”) where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

***Independence***

We are not aware of any capital lease, material cooperative arrangement or other business relationship between the Authority and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Authority’s audit.

***Conflicts of interest***

There are no instances where any officer or employee of the Authority has an interest in a company with which the Authority does business that would be considered a “conflict of interest.” Such an interest would be contrary to the Authority’s policy.

***Government of Guam General Fund***

Pursuant to 5 GCA Chapter 22 § 22421 *Transfer of Autonomous Agency Revenues to Autonomous Agencies Collections Fund*, certain autonomous agencies, to include the Authority, are to remit certain amounts to the Government of Guam General Fund at the end of each fiscal year.

Notwithstanding the requirements of 5 G.C.A. § 22421, the Authority is prohibited by its 2013 General Revenue Bond Indentures (2013 Indentures) and federal law from transferring any funds from its operating surplus to the General Fund

During the course of Fiscal Year 2014, there was no substantive progress of discussions with the Executive and Legislative branches to repeal 5 GCA § 22421 or on the issue of the Government of Guam assessment.

The Authority recognizes that it is an instrumentality of the Government of Guam. The Authority may reimburse the Government of Guam for costs of services and contributions provided to the Authority subject to the standards of documentation as required by the FAA’s Policy and Procedures Concerning the Use of Airport Revenue. The Authority may also pay for an indirect cost allocation that is reasonable, transparent, calculated similarly for other governmental units and consistent with Attachment A to OMB Circular A-87 and the aforementioned FAA policy.

B – Management’s Representation Letters, continued

A.B. Won Pat International Airport Authority, Guam  
Letter of Representation

January 29, 2015

*Other Representations*

- We have identified and disclosed to you, all laws, regulations and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have identified and disclosed to you violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- We have followed applicable laws and regulations in adopting, approving and amending budgets, debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments.
- The financial statements properly classify all funds and activities.
- Components of net position (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Special and extraordinary items are appropriately classified and reported.
- Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.
- Investments are properly valued.
- Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.
- The supplementary information (management’s discussion and analysis and other financial information) have been prepared in conformity with accounting principles generally accepted in the United States as required by the Governmental Accounting Standards Board, and are consistent with the accounting principles used to prepare the basic financial statements. There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

B – Management’s Representation Letters, continued

A.B. Won Pat International Airport Authority, Guam  
Letter of Representation

January 29, 2015

*Subsequent events*

Subsequent to September 30, 2014, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Authority’s affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position, results of operations or cash flows of the Authority.

\* \* \* \* \*

We understand that your audits were conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and were, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Authority as a whole, and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Charles H. Ada, II  
Executive Manager



Carlos P. Bordallo  
Comptroller

B – Management’s Representation Letters, continued



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January 29, 2015

Ernst & Young LLP  
Ernst & Young Building  
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Tamuning, Guam 96913

We are providing this letter in connection with your audit of the federal award programs of the Antonio B. Won Pat International Airport Authority, Guam (the “Authority”) as of and for the year ended September 30, 2014, which was performed in accordance with auditing standards generally accepted in the United States, the Single Audit Act Amendments of 1996, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure and we understand that the purpose of your testing of transactions and records from the Authority’s federal programs was to obtain reasonable assurance that the Authority had complied, in all material respects, with the compliance requirements that could have a direct and material effect on each of its major programs.

In connection with your audit, we confirm, to the best of our knowledge and belief, the following representations:

1. We acknowledge our responsibility for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs. We are responsible for complying with the requirements of OMB Circular A-133.
2. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each of the Authority’s federal programs.
3. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities related to federal programs.
4. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.



B – Management’s Representation Letters, continued

Ernst & Young, LLP  
January 29, 2015

Page 2

5. We have provided to you our interpretations of any applicable compliance requirements that are subject to varying interpretations.
6. We acknowledge our responsibility for and have established and maintained effective internal control over compliance that provides reasonable assurance that federal awards are managed in compliance with the laws, regulations and the provisions of contracts or grant agreements that could have a material effect on the federal programs. Internal control is functioning as intended.
7. We have complied in all material respects, with the requirements of Circular A-133 and with the laws, regulations and provisions of contracts and grant agreements related to each of the federal programs, except for those findings disclosed in the Schedule of Findings and Questioned Costs and/or otherwise disclosed to you.
8. We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal programs, including the results of other audits or program reviews.
9. We are responsible for the presentation of the Schedule of Expenditures of Federal Awards (“the schedule”) in accordance with Circular A-133 Section 310.b. We believe the schedule, including its form and content, is presented in accordance with Circular A-133 Section 310.b. There have been no changes in the methods of measurement or presentation of the schedule from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the schedule.
10. We acknowledge that it is our responsibility for understanding and complying with the compliance requirements related to the preparation of the schedule. We have identified all of our government programs and related activities subject to OMB Circular A-133 and have included in the schedule all expenditures made during the period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees and other noncash awards, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other direct assistance. The schedule is accurate and complete in all material respects, presents the information required by OMB Circular A-133, and includes all federal program expenditures made during the year ended September 30, 2014.
11. We have charged costs to federal awards in accordance with applicable cost principles.
12. Information presented in federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the Authority’s financial statements have been prepared, and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. Amounts claimed or used for matching were determined in accordance with the applicable cost circulars and administrative requirements.

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13. The copies of Authority’s federal program financial reports provided to you are true copies of the reports submitted or electronically transmitted to the federal agencies and pass-through entities.
14. We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud. We have no knowledge of any fraud or suspected fraud affecting federal programs involving management or other employees who have a significant role in internal control over financial reporting and compliance. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the federal programs. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”) where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the federal program.
15. The summary schedule of prior audit findings and the Data Collection Form are accurate and complete in all material respects and contain the information required by Circular A-133.
16. We have provided you with all information on the status of follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
17. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of this letter.
18. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the year ended September 30, 2014 to the date of this letter.
19. We have disclosed to you all known noncompliance with direct and material compliance requirements occurring subsequent to the year ended September 30, 2014.
20. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the year ended September 30, 2014.
21. We have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the year ended September 30, 2014.

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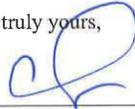
In connection with your audit, we also confirm, to the best of our knowledge and belief, the following representations related to any findings included in the Schedule of Findings and Questioned Costs:

22. We are responsible for taking corrective action on audit findings of the compliance audit.
23. We have resolved any audit findings and recommendations directed to us and have a process to track their status.
24. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported.
25. We have provided views on your reported findings, conclusions and recommendations, as well as management’s planned corrective actions, for the report.

In addition to our responsibility in preparing the schedule and related notes, we confirm that as of September 30, 2014 to the date of this letter, we are not aware of any assigned Catalog of Federal Domestic Assistance number related to the loan note guarantee obtained from the United States Department of Agriculture for the Community Facility Project.

We understand that your audit was made in accordance with auditing standards generally accepted in the United States, the Single Audit Act Amendments of 1996, OMB Circular A-133 and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and was, therefore, designed for the purpose of obtaining reasonable assurance about whether the Schedule of Expenditures of Federal Awards is presented fairly, in all material respects, in relation to the financial statements taken as a whole and whether the Authority had, in all material respects, administered each of its major federal programs in compliance with the laws, regulations and provisions of contracts or grant agreements, noncompliance with which could have a direct and material effect on the federal program. Accordingly, we understand that your tests of the accounting and federal program records and other auditing procedures were limited to those that you considered necessary for those purposes.

Very truly yours,



Charles H. Ada, II  
Executive Manager



Carlos P. Bordallo  
Comptroller