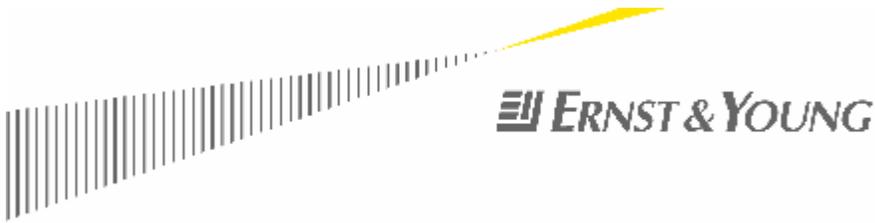


Statement of Auditing Standards No. 114  
The Auditor's Communication with Those  
Charged with Governance

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

*For the year ended September 30, 2010*

Ernst & Young



Ernst & Young LLP  
231 Ypao Road  
Suite 201, Ernst & Young Building  
Tamuning, Guam 96913  
Tel: +1-671-649-3700  
Fax: +1-671-649-3920  
[www.ey.com](http://www.ey.com)

January 12, 2011

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 Antonio B. Won Pat International Airport Authority (the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2010, 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 12, 2011.

## **REQUIRED COMMUNICATIONS**

Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance*, and other 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)**

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, 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.

### **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.

There were no changes in the Authority's significant accounting policies during the year ended September 30, 2010. The Authority continues to apply its accounting policies in an appropriate manner and is disposed toward high quality financial reporting and application of accounting policies.

### **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.

The Authority has consistently applied accounting principles generally accepted in the United States (US GAAP) and adequately disclosed required US GAAP disclosures in the financial statements.

### **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 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.

### **Unadjusted Audit Differences Considered by Management to be Immaterial**

Certain unadjusted audit differences 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 Unrecorded Audit Differences*).

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

We reviewed the Management's Discussion and Analysis 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, 2010.

### **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, 2009 to January 12, 2011 (see Appendix B – *Management's Representation Letter*).

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

We have identified certain control deficiencies in internal control during the course of our audit which has been included in our separately issued Management Letter dated January 12, 2011.

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

### **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.

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.

\*\*\*\*\*

The completion of our audit of the Authority's financial statements as of and for the year ended September 30, 2010 was accomplished through the effective support and assistance of the Authority's finance, operational and administrative personnel.

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.

We would be happy to discuss the contents of this report and answer any questions you may have about these or any other audit related matters.

Very truly yours,

*Ernst + Young LLP*

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

## Appendix

A – Summary of Unrecorded Audit Differences

B – Management’s Representation Letters

Printed Times Tue Jan 11, 2011

Client: Antonio B. Won Pat International Airport Authority Audit Date: 01/05/11 Currency: USD

Analysis of Audit Differences Debit/(Credit)									
No.	ly/9 Ref.	Account	Assets Current (Debit/Credit)	Assets Non-current (Debit/Credit)	Liabilities (Current) (Debit/Credit)	Liabilities (Non-current) (Debit/Credit)	Income / Expenses Non Taxable	Debit/(Credit) prior period	Other - Specify Debit/(Credit)
<b>Unrecorded Audit Differences:</b>									
<b>Unrecorded Errors:</b>									
SA001: To adjust unrecorded rental revenues from International Bridge in prior year. Adjustment: Miscellaneous revenues Adjustment: Retained earnings									
SA002		To fully depreciate the remaining book value of the DBE Study capitalized since 2004. Adjustment: Accum Depreciation - SF Adjustment: Depreciation expense - SF	0	-183,778	0	0		183,778	-183,778
Balance Sheet Totals			0	-183,778	0	0		183,778	-183,778
Financial Statement Amounts			0.00%	-0.04%	0.00%	0.00%		202,996	0.00%
Effect of unrecorded audit differences on F/S amounts			0.00%	-0.04%	0.00%	0.00%		202,996	0.00%
Income effect of unrecorded audit differences (before tax)								0	
Memo: Non-taxable items (marked 'Yes' above)								0	
Less: Tax effect at current year marginal rate								202,996	
Cumulative effect of unrecorded audit differences before turn-around effect								0	
Turn-around effect of prior-period unrecorded audit differences (after tax)								21,600	
Cumulative effect of unrecorded audit differences, after turn-around effect								228,596	
Current year net income								228,596	

**Management's Reconciliation:**

We believe that the effects of the foregoing audit differences, accumulated by you during the current fiscal year and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of the Authority, taken as a whole.

*Mary C. Chan*  
 Mary Torjes  
 Executive Manager

*Charles P. Bando*  
 Charles Bando  
 Acting Comptroller



P.O. Box 8770  
Tamuning, GU 96931

Tel (671) 646-0300  
Fax (671) 646-8823

[www.guamairport.com](http://www.guamairport.com)

January 12, 2011

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

In connection with your audits of the Antonio B. Won Pat International Airport Authority, Guam as of September 30, 2010 and 2009 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, changes in financial position and cash flows of Authority in conformity with accounting principles generally accepted in the United States.

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 recognize that, as members of management of the Authority, we are responsible for the fair presentation of its financial statements. We believe the statements of net assets, and the related statements of revenues, expenses, and changes in net assets and cash flows are fairly presented in conformity with accounting principles generally accepted in the United States applied on a basis consistent with that of the preceding years. We also recognize that, as members of management of the Authority, we are responsible for establishing and maintaining effective internal control.

We have made available to your representatives all financial records and related data.

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.



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

January 12, 2011

***Unrecorded audit differences***

We believe that the effects of any unrecorded audit differences, 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 taken as a whole. In addition, to the extent that audit differences have been subsequently identified in the current period that affect prior year financial statements, we have evaluated the effect of correcting prior year financial statements and believe that the effects of the unrecorded audit differences are immaterial, both individually and in the aggregate, to the prior year financial statements taken as a whole.

***Internal control***

There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the financial statements.

We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2010.

***Minutes and contracts***

The dates of meetings of directors, committees of directors and important management committees from October 1, 2008 to January 12, 2011 are as follows:

<u>Date Meeting</u>	<u>Type</u>
October 30, 2008	Regular
December 4, 2008	Regular
January 8, 2009	Regular
January 29, 2009	Regular
February 26, 2009	Regular
March 26, 2009	Regular
May 14, 2009	Regular
May 28, 2009	No Quorum
June 24, 2009	No Quorum
July 22, 2009	Regular
August 27, 2009	Regular
September 8, 2009	Special (cancelled)
September 30, 2009	Regular (cancelled)

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

January 12, 2011

*Minutes and contracts, continued*

<u>Date Meeting</u>	<u>Type</u>
October 15, 2009	Regular
October 29, 2009	Regular
December 2, 2009	Regular
December 15, 2009	Regular
January 28, 2010	Regular
February 25, 2010	No Quorum
March 4, 2010	Regular
April 8, 2010	Regular
April 29, 2010	No Quorum
May 27, 2010	No Quorum
June 16, 2010	Regular
July 29, 2010	No Quorum
August 6, 2010	Regular
September 1, 2010	Regular
September 29, 2010	Regular

We have made available to you all minutes of the meetings of directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared, except on those discussed during the executive sessions of the board of directors.

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.

***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 assets represent 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.

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

January 12, 2011

***Environmental liabilities, continued***

***Environmental Response Actions***

As discussed in Note 4 in the notes to the financial statements, 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 recently been made aware that in accordance with Comprehensive Environmental Response, Compensation, and Liability Act of 1980 or CERCLA, a decision document or record of decision requires execution by the Authority, the Navy and the Guam Environmental Protection Agency with the concurrence of the U.S. EPA. The decision document would codify the responsibilities of each party for the environmental response actions.

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

The long-term obligation to operate and maintain the facilities built under the remedial construction as well as the required sampling will be handled through a water system commercial agreement. As of September 30, 2010, the Authority estimated, based upon a weighted average probability of future cash outflows, that its pollution remediation obligations as called for under GASB No. 49 totaled \$671,044. At September 30, 2010 and 2009, and for the years then ended, future pollution remediation and monitoring costs totaling \$671,044 and \$209,717, respectively, is reflected as a component of contractual services in the statements of revenues, expenses and changes in net assets, and as a component of other current liabilities in the statements of net assets.

***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 assets. 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 assets.

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

January 12, 2011

***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 statements of net assets. All revenue recognized as of the dates of statements of net assets has been realized (or is realizable) and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) services have been 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 assets in respect of services rendered prior to those dates and for uncollectible accounts, discounts, 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 services.

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.

***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 that have 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.

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

January 12, 2011

***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.

***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.

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 other than those disclosed in 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 other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the balance sheets 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.

***Purchase commitments***

At September 30, 2010 and 2009 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 statements of net assets as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

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

January 12, 2011

***Fraud***

We acknowledge our responsibility for the design and implementation of programs and controls 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. 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 Authority policy.

***Government of Guam General Fund***

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

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

January 12, 2011

***Water System Infrastructure Upgrade***

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

***Other Representations***

- o 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.
- o 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.
- o 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.
- o The financial statements properly classify all funds and activities.
- o Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- o Provisions for uncollectible receivables have been properly identified and recorded.
- o Special and extraordinary items are appropriately classified and reported.
- o Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.

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

January 12, 2011

***Other Representations, continued***

- o Investments are properly valued.
- o Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.
- o 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.

***Subsequent events***

Subsequent to September 30, 2010, 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, changes in financial position or cash flows of the Authority.

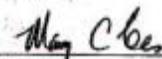
A.B. Won Pat International Airport Authority, Guam  
Letter of Representation

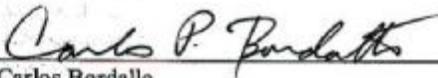
January 12, 2011

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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 taken 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,

  
\_\_\_\_\_  
Mary Torres  
Executive Manager

  
\_\_\_\_\_  
Carlos Bordallo  
Acting Comptroller

Printed Time: Tue Jan 11, 2011

**Summary of Audit Differences**

Client: **Antonio B. Won Pat International Airport Authority**

Currency: **USD**

Audit Date: **01/07/2011**

Account: **54002**

Analysis of Audit Differences Debit / Credit

All Identified Audit Differences Above Minimal Amount

Account: **54002** (Audit differences are recorded as journal entries.)

No.	M/F Yr	Account	Assets Current		Assets Non-current		Liabilities (Current)		Liabilities (Non-current)		Income / Expenses		Other - Specify
			Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Current Period	Non Taxable Prior Period	
<b>Unrecorded Audit Differences:</b>													
<b>Unrecorded Errors:</b>													
54002		To adjust unrecorded rental revenues from International Bridge in prior year. Adjustment: Miscellaneous revenues Adjustment: Retained earnings	19,218										-19,218
54002		To fully depreciate the remaining book value of the DOE Study capitalized since 2004. Adjustment: Accum Depreciation - SF Adjustment: Depreciation expense - SF	183,778										-183,778
		Balance Sheet Totals	0	-183,778	0	0	0	0	0	0	0	0	-19,218
		Financial Statement Amounts	0.00%	-0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
		Effect of unrecorded audit differences on FYS amounts	202,996										0
		Income effect of unrecorded audit differences (before tax)	202,996										0
		Minus: Non-taxable items (entered "Yes" above)	0										0
		Less: Tax effect at current year marginal rate	0										0
		Cumulative effect of unrecorded audit differences before turn-around effect	202,996										0
		Turn-around effect of prior period unrecorded audit differences (after tax)	0							2.10%			0
		Cumulative effect of unrecorded audit differences, after turn-around effect	21,400							0.00%			21,400
		Current year net income	254,256							2.32%			254,256
			275,656							100.00%			275,656

**Management's Representation:**

We believe that the effects of the foregoing audit differences, accumulated by you during the current fiscal year audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of the Authority, taken as a whole.

*Mary Torres*  
 Mary Torres  
 Executive Manager

*Carlos P. Borella*  
 Carlos Borella  
 Acting Comptroller



P.O. Box 8770  
Tamuning, GU 96931

Tel (671) 646-0300  
Fax (671) 646-8823

[www.guamairport.com](http://www.guamairport.com)

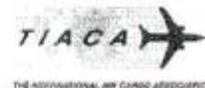
January 12, 2011

Ernst & Young LLP  
Ernst & Young Building  
231 Ypao Road, Suite 201  
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, 2010, 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 understand 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 have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on each of the Authority's federal programs.
2. We have made available to you all documentation related to the compliance requirements for the federal programs, including contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies and pass-through entities related to federal programs.
3. We have made available to you all federal program financial records and related data, including information related to federal program financial reports and claims for advances and reimbursements.
4. We have provided to you our interpretations of any compliance requirements that have varying interpretations.



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5. We have established and maintained effective internal control over compliance that provides reasonable assurance that federal awards are administered in compliance with the laws, regulations, and provisions of contracts or grant agreements that could have a material effect on the federal programs. Internal control is functioning as intended.
6. We are responsible for complying, and 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.
7. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal programs, including the results of other audits or program reviews.
8. We acknowledge our responsibility for preparation of the Schedule of Expenditures of Federal Awards ("the schedule"). The form and content is in accordance with Circular A-133 Section 310.b. The methods of measurement or presentation have not changed from those used in the prior period and there are no significant assumptions underlying the measurement or presentation of the schedule.
9. 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, 2010.
10. We have charged costs to federal awards in accordance with applicable cost principles.
11. 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.
12. The copies of the 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.

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13. We acknowledge our responsibility for the design and implementation of programs and controls 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. 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.
14. 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.
15. 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 management decisions.
16. There has been no known noncompliance occurring subsequent to September 30, 2010 or events occurring subsequent to that date that would require adjustment to or disclosure in the Schedule of Expenditures of Federal Awards.
17. There have been no changes subsequent to September 30, 2010 in internal control over compliance or other factors that might significantly affect internal control, except for corrective action taken with regard to reportable conditions as disclosed in the corrective action plan.

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:

18. We have resolved any audit findings and recommendations directed to us and have a process to track their status.
19. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported.
20. We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

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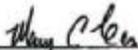
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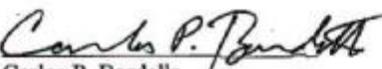
Furthermore, we also confirm that we have not made the water system infrastructure operational as of January 12, 2011, and no water has been generated for use or sale by the Authority or any other agency. We also confirm that we have not been informed by the Federal Aviation Administration of any need to repay portions of the grants used to fund the water system infrastructure.

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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*, 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,

  
\_\_\_\_\_  
Mary C. Torres  
Executive Manager

  
\_\_\_\_\_  
Carlos P. Bordallo  
Acting Comptroller