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January 25, 2012

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, 2011, 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 25, 2012.

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.

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

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, 2011. 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.

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

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.

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.

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

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, 2011.

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, 2010 to January 25, 2012 (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 25, 2012.

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, 2011 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 Uncorrected Misstatements

B – Management’s Representation Letters

Appendix A

Summary of Uncorrected Misstatements

Printed Times: Wed Jan 25, 2012

Client: **AB Won Pat International Airport Authority Guam**

Audit Date: **9/30/2011**

No.	W/P Ref.	Description	Assets Current		Assets Non-current		Liabilities Current		Liabilities Non-current		Income Effect of Correcting the Balance Sheet as of the End of the:		Other - Specify
			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Current Period	Non Taxable	Debit/(Credit) Prior Period	Non Taxable	
Uncorrected Misstatements:													
Uncorrected Factual Misstatements:													
SAD01 CY	OSP 11-1	To adjust difference in unrealized gain from investments. Adjustment: Unrealized Gain from Investments		-18,939							18,939	No	
		Adjustment: Valuation Allowance on Investments										No	
SAD02 CY	N-04-GL-1	To record remainder of the settlement liability with Sumitomo payable through future lease of a property. Adjustment: AP-Construction		355,163							-71,033	No	
		Adjustment: Land improvements - Airfield Area										No	
		Adjustment: Rental Income										No	
Uncorrected Judgemental Misstatements:													
SAD03 CY	K-01-GL-1	To fully depreciate DBE study capitalized since 2004 Adjustment: Accum depreciation - support facilities		-183,778							183,778	No	
		Adjustment: Depreciation expense - support facilities										No	
Totals			0	152,446	-284,130	0							0
Financial Statement Amounts			10,055,274	478,063,351	(24,322,296)	(156,647,265)							(307,149,064)
Effect of uncorrected misstatements on F/S amounts			0.00%	0.03%	1.17%	0.00%							0.00%
Income effect of uncorrected misstatements (before tax)											131,684		0
Memo: Non-taxable items											0		0
Less: Tax effect at current year marginal rate			0.00%								0		0
Cumulative effect of uncorrected misstatements before turn-around effect											131,684		0
Turn-around effect of prior period uncorrected misstatements (after tax)											0		0
Cumulative effect of uncorrected misstatements, after turn-around effect											131,684		0
Current year net income											1,332,014		

Management's Representation:

We believe that the effects of the foregoing uncorrected misstatements, 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 Bordallo
Carlos Bordallo
Comptroller

Appendix B



A.B. WON PAT
INTERNATIONAL AIRPORT AUTHORITY, GUAM
ATURIDAT PLETITON BATKON AIREN GUAHAN ENTEHNASIONAT

P.O. Box 8770
Tamuning, GU 96931

Tel (671) 646-0300
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www.guamairport.com

January 25, 2012

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, 2011 and 2010 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 the 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.



AMERICAN ASSOCIATION
OF AIRPORT EXECUTIVES



AIRPORTS COUNCIL
INTERNATIONAL



National Association of State Aviation Officials



THE INTERNATIONAL AIR CARGO ASSOCIATION

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, 2011.

Minutes and contracts

The dates of meetings of directors, committees of directors and important management committees from October 1, 2009 to January 25, 2012 are as follows:

<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
November 23, 2010	Regular
March 10, 2011	Regular
March 31, 2011	Regular
April 28, 2011	Regular
July 14 and 22, 2011	Regular/Reconvened
August 30, 2011	Regular
September 27, 2011	Regular
October 25, 2011	Regular

Minutes and contracts, continued

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.

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) and the US EPA. The Navy, the Authority and GEPA are the authorized signatories for the DD. The final draft of the DD is presently being reviewed by the Authority and the FAA.

Environmental liabilities, continued

Environmental Response Actions, continued

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. The balance of the \$10 million received from the Navy, although reprogrammed to the Capital Improvement Fund, will remain as a contingent unencumbered sum to pay for future sampling and testing requirements and any potential improvements under the Environmental Services Cooperative Agreement that was not constructed under the Authority's water system.

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, 2011, 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 \$454,568. At September 30, 2011 and 2010, future pollution remediation and monitoring costs totaling \$454,568 and \$671,044, respectively, is reflected as a component of other current liabilities in the accompanying 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.

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.

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.

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.

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, 2011 and 2010 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.

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 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.

On March 31, 2011, the Authority received an invoice from the Department of Administration (DOA) for payment of \$12,250,000, representing an annual assessment on the Authority of \$875,000 for years 1998 to 2011. The Authority is unable to recognize this invoice as a liability as it does not conform to the requirements of 5 GCA § 22421 as it is unclear how the annual contribution amount of \$875,000 allocated to the Authority was determined. This does not conform to the requirement that the Governor of Guam and the Authority's Board of Directors shall consult and decide on a formula. Moreover, the statute of limitation for prior year assessments is limited to three years.

Notwithstanding the requirements of 5 G.C.A. § 22421, the Authority is prohibited by its 2003 General Revenue Bonds Indenture (2003 Indenture) and federal law from transferring any funds from its operating surplus to the General Fund. Any diversion of the Authority's revenues under any formula will place the Authority in breach of the 2003 Indenture and will jeopardize ongoing and future federal funding, possibly even subjecting the Authority to millions of dollars in federal civil penalties. Accordingly, the Authority cannot transfer any of its revenues to the General Fund as directed by 5 G.C.A. § 22421 and no liability has been recorded for this contingency as of September 30, 2011 and 2010. This position has been supported by legal determinations, past and present.

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.

Water System Infrastructure Upgrade

During the year ended September 30, 2011, the Authority focused on 1) reviewing the independent pre-final engineering report and generating comments; 2) negotiating an operating and maintenance agreement with the Guam Waterworks Authority (GWA); and 3) securing the required permits from the Guam Environmental Protection Agency (GEPA) to start up operations of the new airport water system. Emphasis was placed on operating the system first to resolve fire protection issues with the Authority's facilities.

The Authority has submitted comments to the engineering report. An agreement with GWA has been negotiated and executed. The foregoing documents were submitted to the FAA and engineering firm. In December 2011, GEPA issued the required permits to operate the airport water system with full operation scheduled for January 2012. A revised engineering report was transmitted to the FAA in December 2011. All documentation is with the FAA for review. In accordance with the Authority's discussions with multi-level FAA officials in December 2010, subsequent discussions will be initiated in 2012 based on the additional information to resolve any open concerns from the FAA.

The Authority asserts that all costs associated with the airport water system are supported by adequate documentary evidence. Costs are reasonable as they result from bids, unit prices from bids or through negotiations with professional engineering firms. It remains inconclusive whether there was any possible material violation of a grant agreement or FAA regulation as of September 30, 2011 and 2010. This is supported by the September 2011 approval by the FAA on pending change orders and full funding draw down on the grant associated with the water system. Subsequent discussions with the FAA will result in a final determination. Accordingly, no liability, if any, has been recorded for this contingency as of September 30, 2011 and 2010.

The airport water system is not operating as of September 30, 2011. Specifically, no water has been provided to non airport users as of September 30, 2011.

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.

Other Representations, continued

- The financial statements properly classify all funds and activities.
- 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.
- 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.

Subsequent events

Subsequent to September 30, 2011, 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.

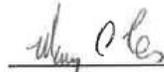
A.B. Won Pat International Airport Authority, Guam
Letter of Representation

January 25, 2012

* * * * *

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
Comptroller

Summary of Uncorrected Misstatements

Printed Time: Wed Jan 25, 2012

Client **AB Won Pat International Airport Authority Guam**

Audit Date **9/30/2011**

All Identified Misstatements Above Nominal Amount		Analysis of Misstatements Debit/(Credit)						
No.	W/P Ref.	Description	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Income Effect of Correcting the Balance Sheet as of the End of the	Other - Specify
			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit) Current Period	Debit/(Credit) Non Taxable

Uncorrected Misstatements:

Uncorrected Factual Misstatements:

- SAD01 CY OSP 11-1 To adjust difference in unrealized gain from investments. Adjustment: Unrealized Gain from Investments -18,939
- SAD02 CY N-04-GL-1 To record remainder of the settlement liability with Summitco payable through future lease of a property. Adjustment: AP-Construction -284,130
Adjustment: Land Improvements - Airfield Area 355,163
Adjustment: Rental income -183,778

Uncorrected Judgemental Misstatements:

- SAD03 CY K-01-GL-1 To fully depreciate DBE study capitalized since 2004
Adjustment: Accum depreciation - support facilities -183,778
Adjustment: Depreciation expense - support facilities

Totals	0	152,446	-284,130	0	0	183,778	0	0
Financial Statement Amounts	10,055,274	478,063,351	(24,322,296)	(156,647,265)				(307,149,064)
Effect of uncorrected misstatements on F/S amounts	0.00%	0.03%	1.17%	0.00%				0.00%
Income effect of uncorrected misstatements (before tax)						131,684	0	0
Memo: Non-taxable items						0	0	0
Less: Tax effect at current year marginal rate	0.00%					0	0	0
Cumulative effect of uncorrected misstatements before turn-around effect				9.89%		131,684	0	0
Turn-around effect of prior period uncorrected misstatements (after tax)				All Factual and Projected Misstatements		0		
Cumulative effect of uncorrected misstatements, after turn-around effect				Judgmental misstatements:		131,684		
Current year net income						1,332,014		

Management's Representation:

We believe that the effects of the foregoing uncorrected misstatements, 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 Bordallo
Carlos Bordallo
Comptroller



A.B. WON PAT
INTERNATIONAL AIRPORT AUTHORITY, GUAM
ATURIDAT PUETTON BATKON AIREN GUAHAN ENTENASIONAT

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January 25, 2012

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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, 2011, 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 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 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 correspondences 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.
5. We have provided to you our interpretations of any 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 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 requirements of federal programs, including the results of other audits or program reviews.
9. We acknowledge our responsibility for preparation of the Schedule of Expenditures of Federal Awards ("the schedule"). The form and content of the schedule 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.
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, 2011.
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.
13. 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.
14. 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.
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 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 requirement, 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 the 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, 2011 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, 2011.
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, 2011.

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, 2011.

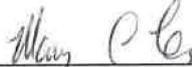
In connection with your audit, we also confirm, to the best of our knowledge and belief, the following representations related to any findings included in the Schedule of Findings and Questioned Costs:

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, illegal acts, violations of provisions of 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.

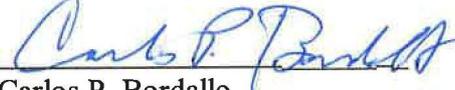
Furthermore, we also confirm that we have not made the water system infrastructure operational as of January 25, 2012, and no water has been generated for use or sale by the Authority or any other agency. We also confirm that we have not been informed by the Federal Aviation Administration of any need to repay portions of the grants used to fund the water system infrastructure.

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
Comptroller