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February 20, 2015

The Board of Directors
Port Authority of Guam
1026 Cabras Highway, Suite 201
Piti, Guam 96925

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of Port Authority of Guam (the "Authority") as of and for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated February 20, 2015.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Authority is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated October 21, 2014. As described in that letter, the objectives of a financial statement audit conducted in accordance with the aforementioned standards are:

- To express an opinion on whether the Authority's financial statements and the accompanying supplementary information for the year ended September 30, 2014, are presented fairly in relation to the financial statements as a whole, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") and to perform specified procedures on the required supplementary information for the year ended September 30, 2014.
- To express an opinion on whether the supplementary information that accompanies the financial statements including the schedule of expenditures of federal awards, is presented fairly, in all material respects, in relation to the financial statements as a whole.
- To report on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2014, based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.
- To report on the Authority's compliance with requirements applicable to each major program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* ("OMB Circular A-133").

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that were 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 do not express an opinion on the effectiveness of the Authority's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Authority's 2014 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2014, there were no significant changes in accounting estimates or in management's judgments relating to such estimates, except for a change in the rates used in providing allowance for bad debts. Management is of the opinion that this change in estimate did not materially impact the financial statements.

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A to Attachment I, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

MATERIAL CORRECTED MISSTATEMENTS

Material misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. These corrected misstatements are listed in Appendix B to Attachment I and are reflected in the 2014 financial statements.

SIGNIFICANT ACCOUNTING POLICIES

The Authority's significant accounting policies are set forth in Note 1 to the Authority's 2014 financial statements. During the year ended September 30, 2014, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the Authority:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this statement did not have a material effect on the Authority's financial statements.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the Authority's financial statements.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The implementation of this statement did not have a material effect on the Authority's financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of the Authority and will require a restatement disclosure upon implementation. As of September 30, 2014, the net pension liability that the Authority will record upon implementation of Statement 68 is anticipated to be \$45,329,045.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

OTHER INFORMATION IN THE ANNUAL REPORTS OF THE AUTHORITY

When audited financial statements are included in documents containing other information, such as Annual Reports, we read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that the Authority issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in the Authority's 2014 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Authority's 2014 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2014.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Authority's management and staff and had unrestricted access to the Authority's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Authority's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Authority is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated February 20, 2015, on the Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. We have also issued a separate report to you, also dated February 20, 2015, involving the Authority's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

We have communicated to management and the Board of Directors, in separate letters also dated February 20, 2015, certain deficiencies and other matters related to the Authority's internal control over financial reporting that we identified during our audit, including matters associated with the Authority's information technology environment.

* * * * *

The Board of Directors
Port Authority of Guam
February 20, 2015

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

Very truly yours,

Deloitte + Touche LLP



PORT OF GUAM

ATURIDAT I PUETTON GUAHAN

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ATTACHMENT I

Eddie Baza Calvo
Governor of Guam

Ray Tenorio
Lieutenant Governor

February 20, 2015

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, Guam

We are providing this letter in connection with your audits of the statements of net position of the Port Authority of Guam (Authority), a component unit of the Government of Guam, as of September 30, 2014 and 2013, and the related statements of revenues, expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Authority in conformity with accounting principles generally accepted in the United States of America.

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP).
- b. The fair presentation of the required supplementary information including Management's Discussion and Analysis, accompanying the basic financial statements that is presented for the purpose of additional analysis of the financial statements.
- c. The design, implementation, and maintenance of internal control:
 - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - To prevent and detect fraud.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of draft financial statements and related notes was a matter of convenience rather than one of necessity. We have reviewed the draft financial statement preparation assistance provided by you and acknowledge that the draft financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association. Additionally, we agree with the recorded adjustments included in Appendix B.

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.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with GAAP. In addition:
 - a. Net position components (net investment in capital assets, restricted and unrestricted) are properly classified and approved
 - b. Revenues and expenses are appropriately classified in the statements of revenues, expenses and changes in net position within operating revenues, non-operating revenues and expenses
 - c. Capital assets are properly capitalized, reported and if applicable, depreciated
 - d. Required supplementary information is measured and presented within prescribed guidelines
 - e. Applicable laws and regulations are followed in adopting, approving, and amending budgets
 - f. Federal awards expenditures have been charged in accordance with applicable cost principles.
2. The Authority has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Authority has provided you:
 - a. Minutes of the meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - b. Financial records and related data for all financial transactions of the Authority and for all funds administered by the Authority. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Authority and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
 - d. All Public Utilities Commission Orders impacting the Authority during the year and up to the report date.

4. There has been no:
 - a. Action taken by Authority's management that contravenes the provisions of federal laws and Guam laws and regulations or of contracts and grants applicable to Authority
 - b. Communications from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
6. We have completed our procedures to evaluate the accuracy and completeness of the disclosures in our financial statements. As a result of the evaluation process, we identified a disclosure that, although required by generally accepted accounting principles, has been omitted from our financial statements. The omitted disclosure that is regarded as more than clearly trivial is attached as Appendix C. We believe the effect of the omitted disclosure is quantitatively and qualitatively immaterial, both individually and in the aggregate, to the financial statements as a whole.
7. The Authority has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Authority and do not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the Authority involving:
 - a. Management
 - b. Employees who have significant roles in the Authority's internal control over financial reporting
 - c. Others, when the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators, or others.
10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
11. Significant assumptions used by us in making accounting estimates are reasonable.

12. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. In addition, we have accurately completed the appropriate sections of the data collection form.
13. We are responsible for the compliance with local, state and federal laws, rules and regulations, including compliance with the requirements with U.S. OMB Circular A-133, and provisions of grants and contracts relating to Authority's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Authority is responsible for maintaining accounting and administrative controls over revenues, obligations, expenditures, assets and liabilities.
14. We are responsible for establishing and maintaining, and have established and maintained effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.
15. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
16. We have:
 - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the relevant Compliance Supplements related to the year under audit.
 - b. Complied, in all material respects, with the requirements identified above in connection with federal awards.
 - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
 - d. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

- e. Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit.
 - f. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through entities.
 - g. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
17. We are responsible for follow-up on all prior-years findings. We are responsible for and accurately prepared the Summary Schedule of Prior Audit Findings, reporting the status of our efforts in implementation of the prior-year's corrective action plan. The schedule contains all findings required to be included by Circular A-133.
18. The Authority has certified to federal granting agencies that it has not used federal funds for lobbying for specific federal awards and that it has disclosed, or will disclose, any expenditures of nonfederal funds made for lobbying purposes.
19. The Authority is responsible for complying, and has complied, with Circular A-133.
20. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Except where otherwise stated below, immaterial matters less than \$122,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

- 21. Except as disclosed in Appendix A, there are no transactions that have not been properly recorded and reflected in the financial statements.
- 22. The Authority has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
- 23. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which the Authority is contingently liable.
- 24. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

- a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events
- b. The effect of the change would be material to the financial statements.

25. There are no:

- a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements
- b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP
- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*.

26. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in Note 5 to the financial statements.

27. The Authority has complied with aspects of contractual agreements that may affect the financial statements.

28. No department of the Authority has reported a material instance of noncompliance to us.

29. Regarding required supplementary information:

- a. We confirm that we are responsible for the required supplementary information
- b. The required supplementary information is measured and presented in accordance with the requirements of the Governmental Accounting Standards Board
- c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

30. Regarding supplementary information:

- a. We are responsible for the preparation and fair presentation of the supplementary information in accordance GAAP
- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP
- c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

31. We adopted the provisions of GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this statement did not have a material effect on the accompanying financial statements.
32. We adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the accompanying financial statements.
33. We adopted the provisions of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.
34. In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of the Authority and will require a restatement disclosure upon implementation. As of September 30, 2014, the net pension liability that the Authority will record upon implementation of Statement 68 is anticipated to be \$45,329,045.
35. In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.
36. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of the Authority.

37. The Authority is a defendant in various lawsuits and proceedings arising in the normal course of business. While the outcome of these lawsuits and proceedings cannot be predicted with certainty and could have a material adverse effect on the Authority's financial statements, it is the opinion of management, after consulting with its legal counsel, that the ultimate disposition of such suits and proceedings will not have a material adverse effect on the Authority's financial statements.
38. The Authority, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The financial statements referred to above reflect all adjustments required by GASB Statement 42.
39. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
40. The Authority is responsible for determining and maintaining the adequacy of the allowance for doubtful accounts receivable, as well as estimates used to determine such amounts. Management believes that the allowance is adequate to absorb currently estimated bad debts in the account balance.
41. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.
42. The Authority does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. Authority has not experienced any losses on such accounts and management believes it is not exposed to credit risk on its deposits.
43. At September 30, 2014 and 2013, the Authority has \$11.4 million and \$11.7 million, respectively, recorded in construction work-in-progress for the Port Modernization Plan. Realization of these assets is dependent on future events, including continuation of the Plan as currently envisioned. In 2014 and 2013, \$1.7 million and \$2.6 million, respectively, of the capitalized project costs were written-off to expense as the Authority believes the assets are not realizable and due to downscaling of the original Plan.
44. As of September 2014 and 2013, the Authority accrued \$700,000 representing its liability towards the AAICF funding based on its interpretation of the Public Law 31-74. The Authority understands that it is only required to transfer amounts to the AAICF when there is an operating surplus.
45. The Authority has assessed that it owes an estimated \$54,000 of merit bonuses to inactive and retired employees as required by Public Law 21-59 as of September 30, 2014.
46. The Authority segregated the construction funded by the \$50,000,000 USDOD appropriation into three phases. As of September 30, 2014, Phase 2 of the three phases of construction was complete; however, it was not recorded as timely cost information was not received from MARAD.

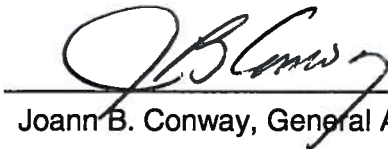
47. We confirm that the Authority did not enter into related party transactions during and as of September 30, 2014.
48. Other than those described in Note 11 to the financial statements, no events have occurred after September 30, 2014, but before February 20, 2015, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.
49. We have disclosed to you that, subsequent to September 30, 2014, no change in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses, has occurred.
50. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by the Authority has been discovered.
51. No events have occurred subsequent to September 30, 2014, that require consideration as adjustments to or disclosures in the schedule of expenditures of federal awards and related notes.



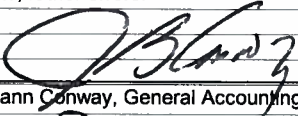
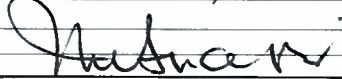

Joanne M.S. Brown, General Manager

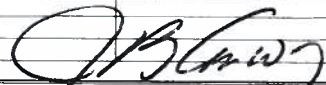

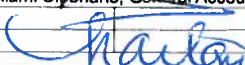


Maria D.R. Taitano, Deputy GM, Administration & Finance



Joann B. Conway, General Accounting Supervisor

Port Authority of Guam				APPENDIX A
Summary of Current Year Misstatements				
30-Sep-14				
Entry Description	Assets	Liabilities	Equity	Profit and Loss
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
<i>To record capitalized interest</i>				
CIP	292,000.00			
Interest expense				(292,000.00)
<i>To reclassify amount with receivable credit balances to payable account</i>				
Receivable	30,583.73			
Payable		(30,583.73)		
	322,583.73	(30,583.73)	-	(292,000.00)
<p>Concurrence: The above misstatements have been provided and explained to me. I understand these misstatements and I believe they are considered to be immaterial to the financial statements taken as a whole. I also believe they did not result from fraud or illegal acts, rather errors.</p>				
				
Joann Conway, General Accounting Supervisor				
				
Miami Ulbenario, General Accounting Supervisor				
				
Maria D.R. Taitano, Deputy GM, Administration & Finance				

Port Authority of Guam		APPENDIX B	
Summary of Corrected Misstatements			
30-Sep-14			
Journal Entries - AJE			
Name	Debit	Credit	
1 AJE To capitalized completed CIP and recognize depreciation			
Computer Equip	345,430.56	-	
AccDeprec-Computer Eq	-	37,010.42	
Depreciation-Compute	37,010.42	-	
IT JDE System Upgrad	-	345,430.56	
	382,440.98	382,440.98	
2 AJE To reverse overaccrued merit bonus			
Accounts Payable Othe	19,137.00	-	
Miscellaneous Expens	-	19,137.00	
	19,137.00	19,137.00	
3 AJE To reverse PO Accrual			
Accounts Payable Othe	213,463.21	-	
Furnishing & Equipme	-	419.00	
Furnishing & Equipme	-	279.00	
Operational Supplies	-	1,795.00	
Other Contractual Se	-	3,980.00	
Other Contractual Se	-	15,338.98	
Operational Supplies	-	11,567.63	
Furnishing & Equipme	-	399.00	
Furnishing & Equipme	-	62.16	
Operational Supplies	-	17,920.00	
Operational Supplies	-	2,795.95	
Operational Supplies	-	22,795.02	
Operational Supplies	-	13,750.00	
Operational Supplies	-	335.00	
Furnishing & Equipme	-	2,457.95	
Furnishing & Equipme	-	460.50	
Operational Supplies	-	6,095.00	
Operational Supplies	-	444.70	
Operational Supplies	-	9,900.00	
Operational Supplies	-	12,364.66	
Operational Supplies	-	10,150.00	
Operational Supplies	-	850.00	
Internet Access, Ema	-	747.00	
Furnishing & Equipme	-	47,043.48	
Furnishing & Equipme	-	12,270.15	
Furnishing & Equipme	-	4,630.00	
Professional Service	-	1,635.63	
Operational Supplies	-	12,977.40	
	213,463.21	213,463.21	
4 AJE To adjust under accrual of legal expense			
Accounts Payable Othe	-	41,116.93	
Legal Counsel-Other	41,116.93	-	
	41,116.93	41,116.93	
5 AJE To reverse/write-off Shell Guam receivable			
Accounts Receivable-T	-	64,350.00	
LEASE INCOME-GEDA	23,400.00	-	
Miscellaneous Expens	40,950.00	-	
	64,350.00	64,350.00	
I have reviewed the adjustments and reclassifications above and authorized that they be recorded in the general ledger as of September 30, 2014. The adjustments are results of errors and not results of fraud or illegal acts.			
 Joann Conway, General Accounting Supervisor			
 Miami Ullenario, General Accounting Supervisor			
 Maria D.R. Taitano, Deputy GM, Administration & Finance			

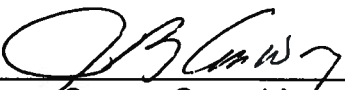
Port Authority of Guam
 Summary of Passed Disclosure
 30-Sep-14

APPENDIX C

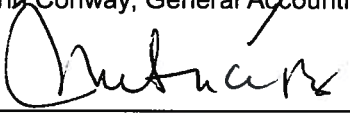
Footnote Title	Description of Omitted or Unclear Disclosure	Dollar Amount of Omitted or Unclear Disclosure (if applicable)	Authoritative Literature Reference	Explanation of Nature of Misstatement
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Property, plant and equipment	Capitalized interest not disclosed	\$ 292,000	GASB 62	The Authority does not capitalize interest on non-federal CIP
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Concurrence: The above passed disclosure item have been provided and explained to me. I understand the nature of this omitted disclosure and I believe they are considered to be immaterial to the financial statements taken as a whole. I also believe they did not result from fraud or illegal acts, rather errors.



 Joana Conway, General Accounting Supervisor



 Miami Ulbenario, General Accounting Supervisor



 Maria D.R. Taitano, Deputy GM, Administration & Finance