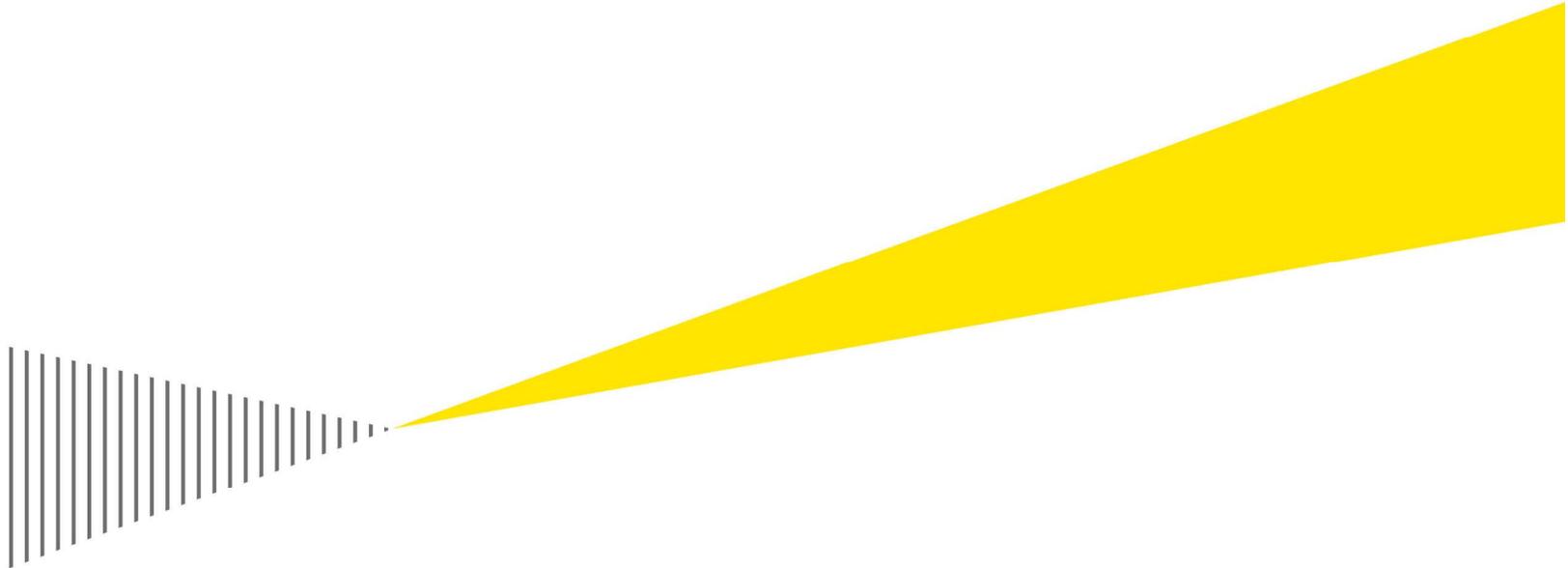


Compliance and Internal Control

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

Year ended September 30, 2013



**Building a better
working world**

Antonio B. Won Pat International Airport Authority, Guam

Reports on Compliance and Internal Control

Year ended September 30, 2013

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

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and the Board of Directors
Antonio B. Won Pat International Airport Authority, Guam

We have audited, 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, the financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors and Management of the Authority, the Office of Public Accountability of Guam, others within the entity, federal awarding agencies, and pass-through entities 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.

Ernst + Young LLP

January 30, 2014



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

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Management and the Board of Directors
Antonio B. Won Pat International Airport Authority, Guam

Report on Compliance for Each Major Federal Program

We have audited the Antonio B. Won Pat International Airport Authority, Guam's (the Authority) compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

The Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Authority as of and for the year ended September 30, 2013, and have issued our report thereon dated January 30, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Directors and Management of the Authority, others within the entity, the Office of Public Accountability of Guam, federal awarding agencies and pass-through entities 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.

Ernst + Young LLP

January 30, 2014

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

Federal Program/ Project Title	CFDA No.	Project No.	Program or Award Amount	Receivable from Grantor at 09/30/12	Cash Receipts FY 2013	Allowable Expenditures FY 2013	Receivable from Grantor at 9/30/13	Total Receipts as of 09/30/13	Grant Balance
U.S. Department of Transportation									
Direct Programs:									
Airport Improvement Program:									
Improve Airport Utility Infrastructure (Water System) - Phase 5	20.106	3-66-0001-58	\$ 7,555,815	\$ 113,009	\$ 548,935	\$ 435,926	\$ -	\$ 7,555,815	\$ -
Improve Airport Utility Infrastructure (Electrical System) - Phase 1	20.106	3-66-0001-65	7,000,000	355,809	6,699,362	6,346,920	3,367	6,907,702	92,298
Conduct Airport Master Plan Study Update	20.106	3-66-0001-66	700,000	30,082	90,028	111,523	51,577	648,422	51,578
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 5	20.106	3-66-0001-69	2,000,000	-	475,305	856,158	380,853	1,353,346	646,654
Rehabilitate Runway 6L/24R - Phase1 (Design Only)	20.106	3-66-0001-73	1,500,000	1,329	192,923	191,813	219	1,380,895	119,105
Install Instrument Landing System (ILS) Runway 6L - Phase 1	20.106	3-66-0001-74	2,172,362	344,366	1,371,887	1,027,521	-	2,172,362	-
Noise Mitigation Measures for Residences w/in 65-69 DNL - Phase 6	20.106	3-66-0001-75	2,000,000	1	54,647	67,704	13,058	115,964	1,884,036
Improve Airport Utility Infrastructure (Sewer & Storm Water Drainage) - Phase 1	20.106	3-66-0001-76	1,550,000	1,693	389,901	513,165	124,957	393,133	1,156,867
Collect Airport Data for the Airports Geographic Information System (AGIS)	20.106	3-66-0001-77	675,000	55,404	270,694	215,290	-	675,000	-
Install Instrument Landing System (ILS) Runway 6L - Phase 2	20.106	3-66-0001-78	4,827,638	381,923	2,559,438	3,057,135	879,620	3,945,018	882,620
Conduct Environmental Assessment for Sewer and Stormwater Drainage	20.106	3-66-0001-79	700,000	9,542	100,907	98,096	6,731	277,816	422,184
Misc. Airport Improvements - Phase 3 (Demolish Former Naval Housing Units)	20.106	3-66-0001-81	2,304,801	54,251	80,486	26,235	-	82,672	2,222,129
Misc. Airport Improvements - Phase 4 (Demolish Former Naval Housing Units)	20.106	3-66-0001-82	1,400,000	51,447	76,371	27,528	2,604	77,391	1,322,609
Extend Runway 6L/24R - Phase 10	20.106	3-66-0001-83	2,000,000	2,000,000	2,000,000	-	-	2,000,000	-
Rehabilitate Runway 6L/24R - Phase2	20.106	3-66-0001-84	5,441,024	-	968,023	1,109,095	141,072	968,023	4,473,001
Total U.S. Department of Transportation Programs, carried forward			<u>41,826,640</u>	<u>3,398,856</u>	<u>15,878,907</u>	<u>14,084,109</u>	<u>1,604,058</u>	<u>28,553,559</u>	<u>13,273,081</u>

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Expenditures of Federal Awards, continued

Year ended September 30, 2013

Federal Program/ Project Title	CFDA No.	Project No.	Program or Award Amount	Receivable from Grantor at 09/30/12	Cash Receipts FY 2013	Allowable Expenditures FY 2013	Receivable from Grantor at 9/30/13	Total Receipts as of 09/30/13	Grant Balance
Total U.S. Department of Transportation Programs, brought forward			41,826,640	3,398,856	15,878,907	14,084,109	1,604,058	28,553,559	13,273,081
Extend Runway 6L/241 - Phase 10	20.106	3-66-0001-85	2,005,605	-	-	2,005,605	2,005,605	-	2,005,605
Rehabilitate Runway 6L/24R - Phase 3	20.106	3-66-0001-86	1,876,981	-	-	-	-	-	1,876,981
Acquire One 3,000-gallon Aircraft Rescue and Fire Fighting (AARF) vehicle	20.106	3-66-0001-87	1,017,000	-	-	-	-	-	1,017,000
Update Airport Master Plan Study	20.106	3-66-0001-88	500,000	-	-	265,927	265,927	-	500,000
Total U.S. Department of Transportation Programs,			47,226,226	3,398,856	15,878,907	16,355,641	3,875,590	28,553,559	18,672,667
Department of Interior									
Regional Aviation Safety and Operations Training Program	15.875	OMIP-GUAM-2009-1	300,000	-	-	-	-	292,653	7,347
Economic Development Administration									
Site Preparation (Grade Elevations) of North Tiyan Properties	11.300	07-01-05790	1,250,000	-	-	-	-	635,505	614,495
Site Grading and Utility Infrastructure Hookups to Develop North Tiyan Aviation Industrial Park	11.300	07-01-06272	1,200,000	-	-	-	-	843,138	356,862
Public Works and Economic Development Facilities Program			2,450,000	-	-	-	-	1,478,643	971,357
Federal Emergency Management Agency:									
Pass-Through Government of Guam: Hazard Mitigation Grant Program: Utility Power Hardening for Critical Airport Facilities	97.039	HMGP DR-1446	5,850,000	-	-	-	-	4,134,855	1,715,145
U.S. Environmental Protection Agency:									
Ground Support Equipment Maintenance Facility; Interceptor Drainage; Former Aircraft Graveyard Site Clean-up	66.818	BF-96984801-0	600,000	-	-	-	-	502,667	97,333
Sub-total awards from the United States Government, carried forward			56,426,226	3,398,856	15,878,907	16,355,641	3,875,590	34,962,377	21,463,849

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Expenditures of Federal Awards, continued

Year ended September 30, 2013

Federal Program/ Project Title	CFDA No.	Project No.	Program or Award Amount	Receivable from Grantor at 09/30/12	Cash Receipts FY 2013	Allowable Expenditures FY 2013	Receivable from Grantor at 9/30/13	Total Receipts as of 09/30/13	Grant Balance
Sub-total awards from the United States Government, brought forward			<u>56,426,226</u>	<u>3,398,856</u>	<u>15,878,907</u>	<u>16,355,641</u>	<u>3,875,590</u>	<u>34,962,377</u>	<u>21,463,849</u>
Transportation Security Administration:									
National Explosive Detection Canine Team (NEDCT) Program	97.072	HSTS02-10-H-CAN629	803,500	145,212	263,653	250,003	131,562	671,939	131,561
Law Enforcement Officer (LEO) Reimbursement Agreement Program	97.070	HSTS02-08-H-SLR161	555,246	12,334	12,334	-	-	555,246	-
Law Enforcement Officer (LEO) Reimbursement Agreement Program	97.070	HSTS02-13-H-SLR096	<u>146,000</u>	<u>-</u>	<u>131,440</u>	<u>146,000</u>	<u>14,560</u>	<u>131,440</u>	<u>14,560</u>
Transportation Security Administration			<u>1,504,746</u>	<u>157,546</u>	<u>407,427</u>	<u>396,003</u>	<u>146,122</u>	<u>1,358,625</u>	<u>146,121</u>
Other Transaction Agreement:									
Transportation Security Administration -									
International Transfer Facility	---	HSTS04-06-A-APO060	2,329,000	-	-	-	-	1,822,627	506,373
Checked Baggage Recapitalization Screening Design Services Project	---	HSTS04-13-H-CT1045	444,000	-	-	257,700	257,700	-	444,000
Checked Baggage Recapitalization Screening Design Services Project	---	HSTS04-13-H-CT1145	<u>24,899,330</u>	<u>-</u>	<u>-</u>	<u>292,574</u>	<u>292,574</u>	<u>-</u>	<u>24,899,330</u>
			<u>27,672,330</u>	<u>-</u>	<u>-</u>	<u>550,274</u>	<u>550,274</u>	<u>1,822,627</u>	<u>25,849,703</u>
Guam Homeland Security									
Acquire Heavy Duty Purpose-Built Tow Vehicle	---		<u>134,068</u>	<u>-</u>	<u>134,068</u>	<u>134,068</u>	<u>-</u>	<u>134,068</u>	<u>-</u>
Total Awards from the United States Government			\$ <u>85,737,370</u>	\$ <u>3,556,402</u>	\$ <u>16,420,402</u>	\$ <u>17,435,986</u>	\$ <u>4,571,986</u>	\$ <u>38,277,697</u>	\$ <u>47,459,673</u>

Non-cash federal awards:

On June 18, 2012, the Authority received a conditional commitment for guarantee from the U.S. Department of Agriculture (USDA) under the Community Facility Guaranteed Loan Program. \$5,333,331 was disbursed during the year ended September 30, 2013. The guarantee, which covers 90% of the loan, will be issued upon completion, with anticipated completion of the project in FY14. See Note 10 of the Notes to the Schedule of Expenditures of Federal Awards.

Antonio B. Won Pat International Airport Authority, Guam

Notes to the Schedule of Expenditures of Federal Awards

September 30, 2013

1. General

The Antonio B. Won Pat International Airport Authority, Guam (the Authority), was created by Public Law 13-57 (as amended) as a component unit of the Government of Guam. Only the federal expenditures of the Authority are included within the scope of the audit. The Authority receives federal awards directly from federal agencies as well as federal awards that are passed through from other governmental agencies.

The federal award program titles and Catalog of Federal Domestic Assistance (CFDA) numbers were obtained from the federal or pass-through grantor or the 2013 *Catalog of Federal Domestic Assistance*.

2. Summary of Significant Accounting Policies

Basis of Accounting

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

For the purpose of this report, certain accounting procedures were followed which facilitate the presentation of the federal cumulative amount of the grant award and federal funds received and disbursed. Cash receipts relate to all cash received from the cognizant federal agency within the CFDA. Cash receipts do not include matching funds from the Authority. All expenses and capital outlays which represent the federal share of each project are reported as expenditures.

The Authority recognizes contributions from the federal government when qualifying expenditures are incurred and expenditures are recognized on the accrual basis of accounting.

Qualifying funds expended in excess of federal funds received are recorded as receivables from the grantor agency.

Matching Requirements

In allocating project expenditures between the federal and local share, a percentage is used based upon local matching requirements unless funds are specifically identified for a certain phase of the project.

Indirect Cost Allocation

The Authority does not receive any indirect cost allocation and no indirect costs were recorded against any federal program for the year ended September 30, 2013. The Federal Aviation Administration programs do allow, upon prior grantor approval, certain administrative expenses to be charged against the grants.

Antonio B. Won Pat International Airport Authority, Guam

Notes to the Schedule of Expenditures of Federal Awards, continued

3. Department of Transportation (DOT)

The Authority's Airport Improvement Program (AIP) is funded primarily through grants from the U.S. DOT, through the Federal Aviation Administration (FAA) under CFDA number 20.106.

Cost Allocation

Certain AIP grants have been combined to fund improvements for similar projects. The grants may fund a specific contract for the project or the cost of the contracts may be split between separate grants.

<u>Project Description</u>	<u>AIP Project No. (3-66-0001-xx)</u>
Airport Master Plan Update	66 and 88
Noise Mitigation Measures for Residences w/in 65-69 DNL	69 and 75
Install ILS from Runway 6L	74 and 78
Demolish Former Navy Housing Units in Tiyan	81 and 82
Rehabilitate Runway 6L/24R	84 and 86

4. Department of Interior (DOI)

The DOI Operations and Maintenance Improvement Program (OMIP) funds a training program for airport and aviation operations and procedures for airports in the Pacific region. The grant is funded under CFDA 15.875, Economic, Social, and Political Development of Territories.

5. Economic Development Administration (EDA)

The Authority's EDA program is funded through grants from the Department of Commerce under CFDA number 11.300.

6. Federal Emergency Management Agency (FEMA)

The Authority is a sub-recipient of a Hazard Mitigation Grant Program administered by the Guam Homeland Security Office of Civil Defense and is funded through grants from the Department of Homeland Security under CFDA number 97.039.

7. Environmental Protection Agency (U.S. EPA)

The U.S. EPA, through the Office of Solid Waste and Emergency Response, funded the Brownfields Cleanup Cooperative Agreement to reimburse related operating expenses for the clean-up of approved sites. These grants are funded under CFDA number 66.818.

Antonio B. Won Pat International Airport Authority, Guam

Notes to the Schedule of Expenditures of Federal Awards, continued

8. Transportation Security Administration (TSA)

The TSA grants were received to reimburse operating expenses related to the National Explosives Detection Canine Team Program (NEDCT) and the Law Enforcement Officer (LEO) Program, under CFDA number 97.072 and 97.090, respectively.

9. Other Transaction Agreement (OTA)

TSA entered into an OTA with the Authority where TSA reimburses the Authority for certain administrative, design, management and construction costs relating to the relocation of the International Transfer Facility. As this is an OTA, no CFDA number is associated.

10. USDA

In June 2012, the USDA provided the Authority with a conditional commitment for guarantee, Case No. 62-001-893862377, which allowed the Authority to obtain a loan from a financial institution with a preferred interest rate. The loan, which was approved for \$11,900,000, will be used to finance energy efficient upgrades identified in the Authority's recent energy audit. As of September 30, 2013, \$10,928,228 of the loan proceeds were disbursed and remain as an outstanding obligation. The guaranteed loan is for a term of five years on \$11,900,000, with interest-only payments on the first year. The USDA will issue the loan note guarantee upon completion of the project and the facility is certified operational by an appropriate official.

11. Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Authority. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and local laws and regulations.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs

Year ended September 30, 2013

Part I - Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued (unqualified, qualified, adverse, or disclaimer):

The independent auditor's report expressed an unqualified opinion.

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X **No**

Significant deficiency(ies) identified that are not considered to be material weaknesses?

 Yes X **None reported**

Noncompliance material to financial statements noted?

 Yes X **No**

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?

 Yes X **No**

Significant deficiency(ies) identified?

 Yes X **None reported**

Type of auditor's report issued on compliance for major programs (unqualified, qualified, adverse, or disclaimer):

The independent auditor's report on compliance for major programs expressed an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?

 Yes X **No**

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Part I - Summary of Auditor's Results, continued

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
10.xxx*	Community Facility Guaranteed Loan

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 683,080

Auditee qualified as low risk auditee?

 Yes X **No**

*CFDA number has not yet been assigned.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Findings and Questioned Costs, continued

Part II - Financial Statement Findings Section

There are no findings involving the financial statements for the fiscal year ended September 30, 2013.

Part III - Federal Award Findings and Questioned Costs Section

There are no material weaknesses, significant deficiencies, material instances of noncompliance, including questioned costs, as well as any abuse findings involving federal awards related to the September 30, 2013 major programs.

Antonio B. Won Pat International Airport Authority, Guam

Schedule of Prior Audit Findings

Year ended September 30, 2013

Findings in the prior year Audit Report dated January 29, 2013 are as follows:

Finding No.: 2012 – 1

Finding:

As of September 30, 2012, a bank loan with an outstanding balance of approximately \$5.6 million and a contractor billing of approximately \$1.5 million were not discovered by the Authority's internal controls and, accordingly, were not recorded by the Authority.

Status:

The Authority recognizes that this finding is an isolated oversight and acknowledges that the condition meets, in part, a material weakness with respect to the timely recording of the loan obligation. The Authority believes that during the course of the audit term, which coincides to a large extent with the financial statement close process, the loan obligation oversight would have been detected and corrected.

This finding has been corrected and deemed closed.