

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

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

Year ended September 30, 2017



**Building a better
working world**



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March 28, 2017

The Board of Directors
Antonio B. Won Pat International Airport Authority, Guam
P.O. Box 8770
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We have performed an audit of the financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2017, 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 March 28, 2018.

REQUIRED COMMUNICATIONS

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

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

The financial statements are the responsibility of the Authority's management. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We were not engaged to perform an audit of the Authority's internal control over financial reporting.

Auditors' Responsibilities under US GAAS and GAGAS, continued

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

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

As described in our engagement letter dated July 22, 2015, the objective of a financial statement audit performed in accordance with US GAAS and GAGAS is as follows:

1. To express an opinion on whether the basic financial statements of the Authority are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. To conduct an audit in accordance with the Single Audit Act Amendments of 1996 and the provisions of Title 2 U.S Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express an opinion on compliance for each major program and to render the required reports.
2. To provide a report on internal control over financial reporting related to the financial statements and compliance with laws, regulations and the provisions of contracts or grant agreements and other matters, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*. We did not perform sufficient procedures to render an opinion on internal control over financial reporting nor on compliance with provisions of laws, regulations, contracts or grant agreements and other matters, and therefore, we did not express such an opinion.
3. To report on the fairness of the schedule of expenditures of federal awards when considered in relation to the financial statements as a whole. We also will report on internal control related to major programs and provide an opinion on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance.

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.

Effective October 1, 2016, the Authority implemented:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes accounting and financial reporting standards for pensions that do not meet the requirements set forth in Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*, and makes some modifications to GASB Statements No. 67 and 68.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016. This Statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.
- GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements.
- GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized costs for financial reporting purposes.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The Statement is intended to provide clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government.

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

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

Sensitive Accounting Estimates

Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

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

Management's judgment is called upon in:

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

Material Corrected Misstatements

As a result of our audit procedures, material misstatements were brought to the attention of management and were corrected during the current period (see Appendix A – *Summary of Corrected Misstatements*). 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 B – *Summary of Uncorrected Misstatements*).

Other Information in Documents Containing the Audited Financial Statements

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

Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants regarding any significant auditing and accounting matters during the fiscal year ended September 30, 2017.

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, 2016 to March 28, 2018 (see Appendix C – *Management's Representation Letter*).

Control Related Matters

We have identified a significant deficiency in our separately issued 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* dated March 28, 2018. We have identified a significant deficiency in our separately issued 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 the Uniform Guidance, also dated March 28, 2018.

We have communicated to management, in a separate letter also dated March 28, 2018, certain deficiencies and other matters related to the Authority's internal control over financial reporting that we identified during the audit.

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

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.

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

Very truly yours,

Ernst + Young LLP

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

Appendix

A – Summary of Corrected Misstatements

B – Summary of Uncorrected Misstatements

C – Management’s Representation Letters

A – Summary of Corrected Misstatements

Communication schedule for corrected misstatements

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

Period ended: 30-Sep-2017

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account (misstatements are recorded as journal entries with a description)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE 1	K0123	To expense a CIP project, that was closed-out and was improperly capitalized, including the reversal of the associated depreciation expense.								
		620.8311.TB Rprs & Maint-Equip-TB Contractual							80,640	
		25.2161.TB Equip - Terminal Bldg Depreciable capital assets		(80,640)						
		25.2351.TB Acc Dpr Bldg Impr - T Depreciable capital assets		66,815						
		90.8771.TB Depreciation expense							(66,815)	
AJE 2	P0400 01	To adjust the ending balance of NPL accounts re: GASB68 Retirement and GASB73 Ad Hoc Benefits based on the actuarial valuation.								
		Net Pension Liability				(33,180)				
		Deferred inflow				210,199				
		Personnel services: Pension Expense (including Plug)							546,784	
		Deferred outflow		(723,803)						
Total of corrected misstatements before income tax			0	(737,628)	0	177,019	0	0	560,609	
Financial statement amounts			23,274,731	594,756,291	(40,117,704)	(252,956,238)	(324,957,080)		(9,552,883)	
Effect of corrected misstatements on F/S amounts			0.0%	-0.1%	0.0%	-0.1%	0.0%		-5.9%	

A – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

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

Period ended: 30-Sep-2016

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account (misstatements are recorded as journal entries with a description)	Assets	Assets	Liabilities	Liabilities	Equity	Effect on the	Income statement effect	
			Current	Non-current	Current	Non-current	components	current period OCI	of the current period	
			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE 1	P0400	To record the GASB 68 adjustment for the year								
		Deferred Outflows		2,505,529						
		Deferred Inflows - Pension Obligation				1,481,625				
		Net Pension Liability				(1,670,954)				
		Personnel Services							(2,316,200)	
AJE 2	E0100	To record additional allowance for bad debts.								
		Provision for Bad Debts								350,000
		Allowance for Doubtful Accounts	(350,000)							
FY17	K0123 (FY17)	To expense the CIP that was improperly capitalized.								
AJE 1		Contractual								302,920
		Net Assets					917,517			
		Non-depreciable capital assets		(1,220,437)						
FY17	P0400 01 (FY17)	To adjust the beginning balance of net pension liability as of 10/1/2015 to reflect the implementation of GASB 73.								
AJE 2		Net Assets					2,854,958			
		Deferred outflow		235,803						
		Net Pension Liability				(3,090,761)				
FY17	P0400 01 (FY17)	To adjust the ending balance of NPL re: GASB68 Retirement only based on the revised discount rate.								
AJE 2		Deferred outflow		454,203						
		Personnel services: Pension Expense (including Plug)								1,113,903
		Net Pension Liability				(1,568,106)				
FY17	P0400 01 (FY17)	To adjust the ending balance of NPL re: GASB73 Ad Hoc Benefits based on the actuarial valuation.								
AJE 2		Deferred outflow		82,482						
		Net Pension Liability				12,436				
		Deferred inflow				(127,230)				
		Personnel services: Pension Expense (including Plug)								32,312
Total of corrected misstatements before income tax			(350,000)	2,057,580	0	(4,962,990)	3,772,475	0	(517,065)	
Financial statement amounts			17,446,224	598,527,754	(34,968,613)	(265,601,168)	(315,404,197)		(7,117,893)	
Effect of corrected misstatements on F/S amounts			-2.0%	0.3%	0.0%	1.9%	-1.2%		7.3%	

B – Summary of Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: Antonio B. Won Pat International Airport Authority, Guam Period Ended: 30-Sep-2017 Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)							Income statement effect of the prior period		
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non taxable
(misstatements are recorded as journal entries with a description)			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable		
Factual misstatements:												
SAD 01	PY Q0100	Turnaround effect of prior year misstatement: To reverse interest for October 1, 2016, which was included in FY16 as part of interest expense.										
		Net position									(36,068)	
		Interest expense										
Judgmental misstatements:												
SAD 02	E0100 F.1	To record additional allowance for bad debts.										
		Provision for Bad Debts								119,000		
		Allowance for Doubtful Accounts	(119,000)									
Total of uncorrected misstatements before income tax			(119,000)	0	0	0	0	0	0	119,000	(36,068)	
Total of uncorrected misstatements			(119,000)	0	0	0	0	0	0	119,000	(36,068)	
Financial statement amounts			23,274,731	594,756,291	(40,117,704)	(252,956,238)	(324,957,080)			(9,552,883)	(7,117,893)	
Effect of uncorrected misstatements on F/S amounts			-0.5%	0.0%	0.0%	0.0%	0.0%			-1.2%	0.5%	
Memo: Total of non-taxable items (marked 'X' above)										0	0	
Uncorrected misstatements before income tax									-1.2%	119,000	(36,068)	
Less: Tax effect of misstatements at current year marginal rate									0%	0	0	
Uncorrected misstatements in income tax										0	0	
Cumulative effect of uncorrected misstatements after tax but before turnaround									-1.2%	119,000	(36,068)	
Turnaround effect of prior period uncorrected misstatements												
All factual and projected misstatements:										36,068	36,068	
Judgmental misstatements (Note 3):										0	0	
Cumulative effect of uncorrected misstatements, after turnaround effect									-1.6%	155,068		
Current year income before tax										(9,552,883)		
Current year income after tax										(9,552,883)		



March 28, 2018

Ernst & Young LLP
Suite 201, Ernst & Young Building
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Tamuning, Guam 96913

In connection with your audits of the basic financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority) as of September 30, 2017 and 2016 and for the periods 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 respective changes in financial position and cash flows, thereof in conformity with US generally accepted accounting principles.

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

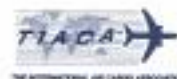
Accordingly, we make the following representations, which are true to the best of our knowledge and belief.

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated July 22, 2015, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with US generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding periods.

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

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Authority from whom you determined it necessary to obtain evidence



C – Management’s Representation Letters, continued

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

Management’s responsibilities, continued

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

We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements 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 instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statements.

We have a process to track the status of audit findings and recommendations.

We have provided views on your reported findings, conclusions, and recommendations, as well as management’s planned corrective actions, for the report.

We have taken timely and appropriate steps to remedy fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported.

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

Internal control

There are no material transactions 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, 2017.

C – Management’s Representation Letters, continued

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

Uncorrected misstatements

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

In addition, to the extent that uncorrected misstatements (including those related to supplementary information) have been subsequently identified in the current period that affect prior year financial statements and/or supplementary information, we have evaluated the effect of correcting prior year financial statements and/or supplementary information and believe that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to both the current and prior year financial statements as a whole and supplementary information.

Minutes and contracts

The dates of meetings of shareholders, directors, committees of directors and important management committees from October 1, 2016 to March 28, 2018 are as follows:

<u>Date Meeting</u>	<u>Type</u>
October 27, 2016	Regular
December 14, 2016	Regular
January 26, 2017	Regular
February 3, 2017	Regular
February 23, 2017	Regular
March 30, 2017	Regular
April 6, 2017	Reconvened
April 27, 2017	Regular
May 25, 2017	Regular
July 6, 2017	Regular
July 27, 2017	Regular
August 1, 2017	Reconvened
August 31, 2017	Regular
September 26, 2017	Regular
October 26, 2017	Regular
November 30, 2017	Regular
December 1, 2017	Reconvened
December 28, 2017	Regular
January 25, 2018	Regular
February 22, 2018	Regular

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

C – Management’s Representation Letters, continued

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

Minutes and contracts, continued

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

Significant assumptions

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

Environmental liabilities

We have disclosed to you all significant pollution remediation matters and have made available to you all significant relevant information related to them. The pollution remediation obligations included in the statements of net position represents our best estimate of the potential losses in accordance with GASB Statement No. 49 as amended. The disclosures of pollution remediation matters in the financial statements are in accordance with GASB Statement No. 49 as amended.

Ownership and pledging of assets

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

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 statement of net position dates, goods shipped on consignment, or other types of arrangements not constituting sales. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62 as amended.

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

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

C – Management’s Representation Letters, continued

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

Inventories

Physical counts and measurements of inventories were made by competent employees under the supervision of management and book records were appropriately adjusted after giving recognition to cut-off for materials received and products shipped.

Adequate provision has been made for losses under firm purchase commitments for goods or inventory. There have been no reductions of the selling prices of finished goods subsequent to September 30, 2017 and none are contemplated.

Long-lived assets to be held and used, 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.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

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.

C – Management’s Representation Letters, continued

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

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 GASB 62 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.

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 generally accepted accounting principles other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB 62.

Oral or written guarantees

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

Purchase commitments

At September 30, 2017 and 2016, 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 September 30, 2017 and 2016 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Fraud

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

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

C – Management’s Representation Letters, continued

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

Fraud, continued

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

Independence

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

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

Conflicts of interest

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

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codifications provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 75
- GASB Statement No. 81
- GASB Statement No. 82
- GASB Statement No. 83
- GASB Statement No. 84
- GASB Statement No. 85
- GASB Statement No. 86
- GASB Statement No. 87

The Authority is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the management’s discussion and analysis, the schedule of the Authority’s proportionate share of net pension liability and related ratios, and the schedule of the Authority’s contributions related to

C – Management’s Representation Letters, continued

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

GASB Statement No. 68—as amended, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

We believe that the separate presentation of the schedule of changes in total pension liability and related ratios related to GASB statement No. 73 is not significant. The required information is combined with schedules required under GASB Statement No. 68.

We have omitted the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other Than Pension that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. We understand the missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “supplementary information”):

- Schedule 3 - Facilities and Systems Usage Charges
- Schedule 4 - Concession Fees
- Schedule 5 - Rental Income
- Schedule 6 - Contractual Services
- Schedule 7 - Personnel Services
- Schedule 8 - Materials and Supplies
- Schedule 9 - Insurance Coverage
- Schedule 10 - Reconciliation of Historical Financial Results
- Schedule 11 - Employee Data

We believe the supplementary information, including its form and content, is fairly stated in all material respects in relation to the basic financial statements as a whole.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

C – Management’s Representation Letters, continued

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

Government of Guam General Fund

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

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

During the course of Fiscal Year 2017, there was no substantive progress of discussions with the Executive and Legislative branches to repeal 5 GCA § 22421 or on the issue of the Government of Guam assessment.

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

Other Representations

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds
- We have identified and disclosed to you violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- We have followed applicable laws and regulations in adopting, approving and amending budgets, debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments.
- The financial statements properly classify all funds and activities in accordance with GAB Statement No. 54—as amended.
- Components of net position (net investments in capital assets, 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.

C – Management’s Representation Letters, continued

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

Other Representations, continued

- o Special and extraordinary items are appropriately classified and reported.
- o Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.
- o Investments are properly valued.
- o Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.

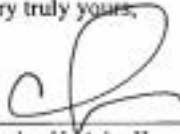
Subsequent events

Subsequent to September 30, 2017, no events or transactions have occurred or are pending that would have a material effect on the basic 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 basic financial statements in order to make them not misleading regarding the financial position, changes in financial position, and cash flows of the Authority.

• • • • •

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

Very truly yours,



Charles H. Ada, II
Executive Manager



John A. Rios
Comptroller

C – Management’s Representation Letters, continued

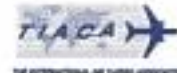


Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96913

We are providing this letter in connection with your audit of the federal award programs of the Antonio B. Won Pat Airport Authority, Guam (the "Authority") as of and for the year ended September 30, 2017, which was performed in accordance with auditing standards generally accepted in the United States, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996, and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). We recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure and we understand that the purpose of your testing of transactions and records from the Authority's federal programs was to obtain reasonable assurance that the Authority had complied, in all material respects, with the compliance requirements that could have a direct and material effect on each of its major programs.

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

1. We acknowledge our responsibility for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs. We are responsible for complying, and have complied, with the requirements of the Uniform Guidance.
2. We have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each of the Authority's major federal programs.
3. We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
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.



C – Management’s Representation Letters, continued

6. We acknowledge our responsibility for establishing and maintaining, and have established and maintained effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are managed in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on the federal programs.
7. We have complied in all material respects with the requirements of the Uniform Guidance including with the direct and material compliance requirements, and with federal statutes, regulations, and the terms and conditions federal awards 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 all known noncompliance with the direct and material compliance requirements of federal awards.
9. We are responsible for the presentation of the Schedule of Expenditures of Federal Awards (“the Schedule”) in accordance with the Uniform Guidance, 2 CFR 200.510(b). We believe the schedule, including its form and content, is presented in accordance with the Uniform Guidance, 2 CFR 200.510(b). There have been no changes in the methods of measurement or presentation of the schedule from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the schedule.
10. We acknowledge that it is our responsibility for understanding and complying with the compliance requirements related to the preparation of the Schedule. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit 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 under the Federal Acquisition Regulations, 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 the Uniform Guidance, and includes all federal program expenditures made during the year ended September 30, 2017.
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.
13. Amounts claimed or used for matching were determined in accordance with the applicable cost principles and administrative requirements.
14. 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 or pass-through entities, as applicable.

C – Management’s Representation Letters, continued

15. We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud. We have no knowledge of any fraud or suspected fraud affecting federal programs involving management or other employees who have a significant role in internal control over financial reporting and compliance. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the federal programs. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”) where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the federal program.
16. We have accurately completed the appropriate sections of the Data Collection Form.
17. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance.
18. The reporting package does not contain protected personally identifiable information.
19. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
20. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of this letter.
21. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the year ended September 30, 2017 to the date of this letter.
22. We have disclosed to you all known noncompliance with direct and material compliance requirements occurring subsequent to the year ended September 30, 2017.
23. 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 and material weaknesses in internal control over compliance, have occurred subsequent to the year ended September 30, 2017.
24. 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, 2017.
25. We have elected to adopt the procurement standards of the Uniform Guidance prior to the grace period of three full fiscal years after the effective date of the Uniform Guidance or October 1, 2017 allowed by the Council on Financial Assistance Reform’s Frequently

C – Management’s Representation Letters, continued

Answered Questions 200.110-6, Effective Dates and Grace Periods for Procurement dated September 9, 2015. We have complied with the applicable procurement standards based on this election.

26. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

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:

27. We have resolved any audit findings and recommendations directed to us and have a process to track their status.
28. We have taken timely and appropriate steps to remedy fraud, noncompliance with federal statutes, regulations, the terms and conditions of federal awards or abuse that you have reported.
29. We have provided views on your reported findings, conclusions and recommendations, as well as management’s planned corrective actions, for the report.
30. We have not received any written notification from the Federal Aviation Administration designating grants received under CFDA No. 20.106 as a major program for the fiscal year ending September 30, 2017.

Corrective action plan

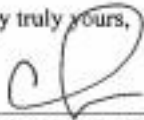
We have developed a corrective action plan that meets the requirements of the Uniform Guidance and addresses each of the findings reported in the Schedule of Findings and Questioned Costs.

In addition to our responsibility in preparing the schedule and related notes, we confirm that as of September 30, 2017 to the date of this letter, we are not aware of any assigned Catalog of Federal Domestic Assistance number related to the Other Transaction Agreement Checked Baggage Recapitalization Screening Construction Services Project.

C – Management’s Representation Letters, continued

We understand that your audit was made in accordance with auditing standards generally accepted in the United States, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996, and the audit requirements of the Uniform Guidance and, 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 federal statutes, regulations, and the terms and conditions of federal awards, noncompliance with which could have a direct and material effect on the federal program. Accordingly, we understand that your tests of the accounting and federal program records and other auditing procedures were limited to those that you considered necessary for those purposes.

Very truly yours,



Charles H. Ada, II
Executive Manager



John A. Rios
Comptroller