

Management Letter

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

Year Ended September 30, 2025



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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

June 18, 2026

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

In planning and performing our audit of the financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority) as of and for the year ended September 30, 2025, 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, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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. 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 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.

During our audit, we identified other matters that we wish to bring to your attention.

Monitoring of Construction-in-Progress (CIP)

Observation:

Based on our review of construction-in-progress (CIP) and selected ocular inspections, we noted that for one of the projects within CIP, certain components or portions of the project were already substantially complete and placed into service, while the related costs continue to be recorded under CIP. As a result, these completed components were not reclassified to depreciable capital assets, and depreciation was not recognized once the assets were placed into service. We further noted that this project consists of multiple components or phases that may be completed and usable at different points in time, indicating that applicable costs may require timely evaluation and transfer from CIP to the appropriate capital asset accounts as components are placed into service. Adjustments were subsequently made to correct the presentation of the project in the financial statements.

Recommendation:

We recommend that management enhance and further strengthen existing controls over CIP monitoring and capital asset recognition by:

- Enhancing procedures to regularly review CIP projects and assess whether assets, or components thereof, are substantially complete and ready for use;
- Continuing coordination with engineering or project management teams to identify project completion status, including partial or phased completion;
- Reinforcing processes to ensure the timely reclassification of completed costs from CIP to the appropriate capital asset accounts; and
- Ensuring depreciation is initiated when assets are placed into service, in accordance with GASB requirements.

Ongoing physical inspections and coordination with relevant departments will support the continued accuracy, completeness, and proper classification of capital assets.

**Proper recording of the funds received from the Government of Guam
Customs and Quarantine Agency (GCQA)**

Observation:

During our audit, we noted that funds received from GCQA, which should have been recognized as non-operating income in fiscal year (FY) 2024 based on the Authority's administrative involvement, were instead recorded as revenue in FY2025.

Footnote 11 of Government Accounting Standards Codification (GASB Cod.) Section 1300 states that a government has administrative involvement with transferred assets if it, among others, monitors compliance with requirements, determines eligible expenditures, or exercises discretion over how assets are used. In such cases, the resources should be recognized as revenue when the government has fulfilled the applicable requirements and has administrative involvement.

Additionally, revenues should be recognized in the appropriate accounting period in accordance with the accrual basis of accounting.

Recommendation:

We recommend that management:

- Strengthen procedures to ensure revenues are recognized in the proper accounting period;
- Perform timely evaluation and correction of prior-year misstatements; and
- Enhance coordination between accounting and management to ensure proper application of GASB Codification requirements related to administrative involvement and revenue recognition.

Reiteration of Prior Year Comment:

Financial Statements Close Process (FSCP)

Observation:

The Authority posted several post-closing adjusting journal entries after the September 30, 2025 trial balance was provided to the audit team. These adjustments primarily related to (a) Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* adjustments, (b) initial recognition and implementation-related adjustments for GASB 101, *Compensated Absences*, (c) reclassification of construction-related accounts payable, and (d) reclassification of credit balances in accounts receivable.

While the GASB 101 adjustments are attributable to the adoption of a new accounting standard during the year, the GASB 87 and other reclassification adjustments are recurring in nature and could have been prepared and recorded as part of the financial statement close process prior to the issuance of the trial balance.

Recommendation:

We recommend that the Authority further strengthen its financial statement close process by ensuring that recurring and standard adjusting entries—such as those related to GASB 87 and account reclassifications—are identified, prepared, and recorded prior to finalizing the trial balance for audit.

For newly adopted standards, such as GASB 101 in FY2025, management should continue to formalize and integrate the related accounting processes into its regular close procedures moving forward to help promote timely completion of deliverables and minimize post-closing adjustments.

This communication is intended solely for the information and use of management and the Board of Directors of the Authority, others within the organization, and the Guam Office of Public Accountability, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young LLP