

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

Government of Guam

Year Ended September 30, 2022





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November 20, 2023

Management and Those Charged with Governance
Government of Guam

We have performed an audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Government of Guam (GovGuam), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise GovGuam's basic financial statements, in accordance with auditing standards generally accepted in the United States of America (GAAS), 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 November 20, 2023.

Provided below is a summary of required communications between the audit team and those charged with governance, as required by AICPA Clarified US Auditing Standard (AU-C) 260, *"The Auditor's Communication With Those Charged With Governance"*, and other applicable auditing standards.

This communication is intended solely for the information and use of GovGuam's management and 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,

REQUIRED COMMUNICATIONS

Auditors' Responsibilities under GAAS, including our discussion of the type of auditor's report we are issuing and the circumstances that affect the form and content of our auditor's report, if applicable

Our responsibilities are included in our audit engagement agreement. A copy of such agreement has previously been provided to you.

We have issued an unmodified opinion on GovGuam's financial statements as of and for the year ended September 30, 2022.

An audit of financial statements includes 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 entity's internal control over financial reporting. Accordingly, we will express no such opinion.

An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the March 2023 meeting.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about GovGuam's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year other than the adoption of Government Accounting Standards Board Statement No. 87 – *Leases* as disclosed in Note 1 of the basic financial statements.

We have provided a discussion of significant accounting policies and our views regarding significant accounting estimates and financial statement disclosures and related matters in Note 1 of the basic financial statements.

We determined that those charged with governance are 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 GovGuam's operations. These budgets include determining how existing financial resources will be used in GovGuam's operations.
- Determining the adequacy of the allowance for accounts receivable.
- Determining the assumptions used in measuring significant accounting estimates for financial accounting purposes.

Related party relationships and transactions

We noted no significant matters regarding GovGuam's relationships and transactions with related parties.

Changes to the terms of the audit with no reasonable justification for the change

We are not aware of any matters that require communication.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by GovGuam.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

Refer to "Management Representations Letter" in Appendix A.

Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial

Refer to "Management Representations Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have identified material weaknesses and significant deficiencies in the internal control during the course of our audit which have been included in our separately issued report of GovGuam's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, dated November 20, 2023.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

New accounting pronouncements

Management is still assessing the impact of adopting the following GASB Statements:

- GASB Statement No. 91
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no material disagreements with GovGuam's management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with GovGuam or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix A.

Engagement team's involvement with preparation of the financial statements

Under GAS 2018 Revisions, Chapter 3 General Standards, Paragraph 3.37 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of GovGuam.
- The preparation of the financial statements is based on GovGuam's trial balance with the understanding that underlying books and records are maintained by GovGuam's accounting department and that the final trial balance prepared by GovGuam is complete.
- GovGuam's Director, Deputy Financial Manager, and Controller have the skill set to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Appendix

A – Management Representations Letter

A – Management Representations Letter



November 20, 2023

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the basic financial statements of the Government of Guam (GovGuam) as of September 30, 2022 and for the year then ended, and the related notes to the financial statements, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form opinions whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of GovGuam and the respective changes in financial position and cash flows, where applicable, thereof in conformity with US generally accepted accounting principles (US GAAP).

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 December 29, 2022, for the preparation and fair presentation of the financial statements (including disclosures) in accordance with US GAAP applied on a basis consistent with that of the preceding years.

In preparing the financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GovGuam's ability to continue as a going concern for one year after the date that the financial statements are issued, and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statements in accordance with the liquidation basis of accounting.

A – Management Representations Letter, continued

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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 GovGuam from whom you determined it necessary to obtain evidence

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

From October 1, 2021 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements of any opinion unit that comprises the basic financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

We believe that the effects of any uncorrected, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. Refer to the “Schedule of Uncorrected Misstatements” in Appendix A.

Corrected misstatements

We have reviewed and approved the adjustments, summarized in the accompanying schedule, and reflected these adjustments in the financial statements. Refer to the “Schedule of Corrected Misstatements” in Appendix B.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

A – Management Representations Letter, continued

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We have communicated to you all significant deficiencies in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2022.

Minutes and contracts and internal audit reports

We have not prepared any minutes of the meetings of members, officers or summaries of actions of recent meetings held from October 1, 2021 to the date of this letter.

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.

We have also made available to you all internal audit reports (or reports from similar functions) that were issued to management during the year that address internal control over financial reporting.

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

Except for right-to-use another entity's nonfinancial asset (the underlying asset), GovGuam has satisfactory title to all assets appearing in the statement 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. All assets to which GovGuam has satisfactory title appear in the statement of net position.

Receivables and revenues

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 date in respect of any sales and services rendered prior to that date and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.

A – Management Representations Letter, continued

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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 techniques 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-as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72-as amended.

We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements of GASB Statement No. 72—as amended.

Leases

Our calculation of the cumulative effect of initially applying GASB 87 – as amended as of the beginning of the period of adoption is in accordance with our accounting policies established under GASB 87—as amended. The initial adoption does not have an impact on the beginning balance of net position.

We have identified and accounted for all contracts that meet the criteria to be accounted for as a lease under GASB 87—as amended. We have appropriately considered any renewal, termination or purchase options in the contract.

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.

A – Management Representations Letter, continued

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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.

Events of default under debt agreements

No events of default have occurred with respect to any of GovGuam'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 Statement No. 62 – as amended 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 other than those disclosed or accrued in the financial statements.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statements other than those disclosed or accrued in the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62 – as amended other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statement of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 – as amended.

Oral or written guarantees

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

A – Management Representations Letter, continued

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Purchase commitments

At September 30, 2022, GovGuam 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, 2022 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that GovGuam's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

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

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 significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected GovGuam (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

Independence

We have communicated to you the names of GovGuam's affiliates, officers and directors, or individuals who serve in such capacity for GovGuam.

We are not aware of any business relationship between the Company 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 independent for purposes of GovGuam's audit.

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Conflicts of Interest

There are no instances where any officer or employee of GovGuam has an interest in a company with which GovGuam does business that would be considered a "conflict of interest."- Such an interest would be contrary to GovGuam 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 codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 91
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101

GovGuam 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.

Going concern

In preparing the financial statements, we evaluated the entity's ability to continue as a going concern for twelve months after the date that the financial statements are issued, and provide appropriate financial statement disclosure, as necessary under GASB requirements.

Pension benefits

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes, that constitute the plan.

Postemployment benefits other than pensions

We have disclosed to you all significant postemployment benefits other than pensions (OPEBs) promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes, that constitute the plan.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the Management's Discussion and Analysis, the Schedule of Proportionate Share of the Net

A – Management Representations Letter, continued

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Pension Liability, the Schedule of Contributions and the Schedule of Proportionate Share of the Total OPEB Liability and Related Ratios, 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.

Supplementary Information

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

- Supplementary Combining Schedule of Balance Sheet Accounts
- Supplementary Combining Schedule of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficit) Accounts
- Supplementary Combining Statement of Fiduciary Net Position
- Supplementary Combining Statement of Changes in Fiduciary Net Position
- Supplementary Schedule of Personnel Count - Primary Government
- Supplementary Schedule of Continuing Appropriations

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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.

Additional representations

- We recognize that we are responsible for GovGuam’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.

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- 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.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- 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 noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.
- 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, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- The financial statements include all fiduciary activities as required by GASB Statement No. 84.
- 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.
- Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.
- Investments are properly valued.
- Capital assets are properly capitalized, reported and, if applicable, depreciated.

A – Management Representations Letter, continued

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- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.
- GovGuam has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Guam or federal law.
- Money or similar assets handled by Government of Guam or Federal Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our financial statements as of and for the year ended September 30, 2022. The accuracy and completeness of the financial statements, including footnote disclosures, are our responsibility.

You have assisted in the preparation of our financial statements based on information in our trial balance and accounting records. It is our understanding that:

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements, including footnote disclosures.

We have reviewed the draft financial statements for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2022, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date

A – Management Representations Letter, continued

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or for the period then ended, or that are of such significance in relation to GovGuam'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 GovGuam, except those listed below, which have been disclosed as Note 16 to the financial statements:

- On December 17, 2022, PL 36-123 was enacted whereby \$26,381,000 was appropriated from the 2022 General Fund surplus to the Guam Power Authority (GPA) to extend the Prugraman Ayuda Para I Taotao-Ta Energy Credit Program.
- On May 22, 2023, PL 37-16 was enacted whereby \$15,581,367 was appropriated from the 2022 General Fund surplus to the Guam Power Authority (GPA) to extend the Prugraman Ayuda Para I Taotao-Ta Energy Credit Program.
- On September 25, 2023, the U.S. District Court issued a Consent Decree whereby the United States Government will pay GovGuam \$48.900M for its share of past costs spent in remediating and closing the Ordot Dump.

A – Management Representations Letter, continued

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We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America 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 of America and was, therefore, designed primarily for the purpose of expressing opinions on the basic financial statements of GovGuam 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,



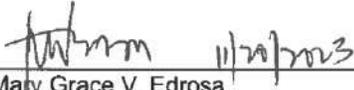
Edward M Birn
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Edward M. Birn
Director



11/20/2023

Gaudencio A. Rosario
Deputy Financial Manager



Mary Grace V. Edrosa
Controller

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Appendices

A – Schedule of Uncorrected Misstatements

B – Schedule of Corrected Misstatements

C – Subsequent Events

A – Management Representations Letter, continued

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Appendix A – Schedule of Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: Government of Guam - Government Wide

Period ended: 30-Sep-2022

Currency: USD

| No. | Account (Note 1) <small>(misstatements are recorded as journal entries with a description)</small> | Analysis of misstatements Debit/(Credit) | | | | | | Effect on the current period OCI Debit/(Credit) | Income statement effect of the current period Debit/(Credit) Non-taxable | Income statement effect of the prior period | |
|--|---|--|--|---|---|-------------------------------------|--------------------------------|--|--|---|--|
| | | Assets Current Debit/(Credit) (Note 2) | Assets Non-current Debit/(Credit) (Note 2) | Liabilities Current Debit/(Credit) (Note 2) | Liabilities Non-current Debit/(Credit) (Note 2) | Equity components Debit/(Credit) | Prior period Debit/(Credit) | | | Non-taxable | |
| Factual misstatements: | | | | | | | | | | | |
| <i>General Fund - Factual statements</i> | | | | | | | | | | | |
| | | (10,828,140) | (11,593,693) | 13,649,420 | | | | 6,773,413 | | (1,338,598) | |
| | <i>Federal Grant Fund-Factual statements</i> | (6,173,668) | | 6,173,600 | | | | | | | |
| Projected misstatements: | | | | | | | | | | | |
| <i>General Fund-Projected misstatements</i> | | | | | | | | | | | |
| | | | | | | | 1,878,111 | (1,878,111) | | 1,878,111 | |
| Judgmental misstatements: | | | | | | | | | | | |
| <i>General Fund-Judgmental misstatements</i> | | | | | | | | | | | |
| | | 6,712,051 | | (8,554,751) | | | | 1,841,800 | | | |
| | Total of uncorrected misstatements before income tax | (10,289,858) | (11,593,693) | 11,269,355 | 0 | 1,878,111 | 0 | 8,737,162 | | 568,522 | |
| | Total of uncorrected misstatements | (10,289,858) | (11,593,693) | 11,269,355 | 0 | 1,878,111 | 0 | 8,737,162 | | 568,522 | |
| | Financial statement amounts | 2,397,690,000 | 661,162,000 | (4,876,082,000) | (122,570,000) | 2,341,858,000 | | 122,341,800 | | (18,944,499) | |
| | Effect of uncorrected misstatements on FIS amounts | -0.4% | -1.8% | 0.2% | 0.0% | 0.8% | | 7.1% | | -1.6% | |
| | Memo: Total of non-taxable items (marked 'X' above) | | | | | | | 0 | | 0 | |
| | Uncorrected misstatements before income tax | | | | | | 7.1% | 8,737,162 | | 568,522 | |
| | 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 | | | | | | 7.1% | 8,737,162 | | 568,522 | |
| | Turnaround effect of prior period uncorrected misstatements | | | | | | | | | | |
| | All factual and projected misstatements: | | | | | | | After tax | | Memo: Before tax | |
| | Judgmental misstatements (Note 3): | | | | | | | (600,522) | | (600,522) | |
| | Cumulative effect of uncorrected misstatements, after turnaround effect | | | | | | 6.7% | 8,136,640 | | 0 | |
| | Current year income before tax | | | | | | | 122,341,800 | | | |
| | Current year income after tax | | | | | | | 122,341,800 | | | |

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Appendix A – Schedule of Uncorrected Misstatements, continued

Communication schedule for uncorrected misstatements

| Entity: <u>Government of Guam - General Fund</u> | | Period Ended: <u>30-Sep-2022</u> | | Currency: <u>US\$</u> | | | | | | |
|---|---|--|--|---|---|--|---|--|-------------|--------------------------------------|
| No. | Account (Note 1) <small>(misstatements are recorded as journal entries with a description.)</small> | Analysis of misstatements Debit/(Credit) | | | | | | Income statement effect of the current period | | |
| | | Assets Current <small>Debit/(Credit) (Note 2)</small> | Assets Non-current <small>Debit/(Credit) (Note 2)</small> | Liabilities Current <small>Debit/(Credit) (Note 2)</small> | Liabilities Non-current <small>Debit/(Credit) (Note 2)</small> | Equity components <small>Debit/(Credit)</small> | Effect on the current period OCI <small>Debit/(Credit)</small> | Income statement effect of the current period <small>Debit/(Credit)</small> | Non-taxable | |
| Factual misstatements: | | | | | | | | | | |
| SAD01 | To record <i>But Operations for GDOE and GACS</i> Revenue-Other Accounts Receivable-Other (Inv@021 45-04@022 21- Due from component units (Inv@022-801@05) | 1,445,300 100,300 | | | | | | (1,553,600) | X | (896,907) X 608,600 X 48,300 X |
| SAD02 | To record revenue collected Deposits and other liabilities Revenue-Other | | | 2,628,989 | | | | (2,628,989) | | |
| SAD03 | To write off liability > 7 years old (GL 11002153) Accounts payable Revenue-Other | | | 1,156,148 | | | | (1,156,148) | X | |
| SAD04 | To write off liability > 4 years old (GL 11002151) and (GL 12532156) Accounts payable Revenue-Other | | | 3,096,285 | | | | (3,096,285) | X | |
| SAD05 | To adjust accrued liabilities no longer valid Accrued Other Expenditures Expenditures | | | 1,226,763 | | | | (1,226,763) | X | |
| SAD06 | To record total 2019 claims liability with final settlement or payment pending the availability of funds. Expenditures Accounts payable | | | (1,874,368) | | | | 1,874,368 | X | |
| SAD07 | To write off federal receivables related to FY21 PL-2 for Aiona Medical supplies recorded in FY (not reported in FY 2021) Other revenue Interfund - Federal Grants Fund 101 | | (3,650,823) | | | | | 3,650,823 | X | |
| SAD08 | To reconcile amounts due from federal agencies related to PLIA Other revenue Interfund - Federal Grants Fund 101 | | (7,942,778) | | | | | 7,942,778 | X | |
| SAD09 | To write off amounts due from GMH (GL 110012366, 110012466, 11001236A) Due from GMH Expenditures | | (7,813,673) | | | | | 7,813,673 | X | |
| SAD10 | To adjust lease prepayments Expenditures Prepayments | | (4,569,687) | | | | | 4,569,687 | X | 4,569,687 X |
| SAD11 | To escheat unclaimed checks Accounts payable Revenue | | | 6,815,543 | | | | (6,815,543) | X | (3,878,850) X |
| Judgmental misstatements: | | | | | | | | | | |
| SAD12 | To accrue DOC liabilities for GMHA Expenditures Accounts payable | | | (2,839,785) | | | | 2,839,785 | X | |
| SAD13 | To adjust tax provision Provision for tax refunds Amount due from federal agency Income tax provision (P&L) | | 6,712,581 | | (5,714,988) | | | (997,593) | X | |
| Projected misstatements: | | | | | | | | | | |
| SAD14 | To adjust FY21 expenditures recorded in FY22 related to DOC food service contract (July, August and September 2021) Net Position Expenditures | | | | | 1,878,111 | | (1,878,111) | X | 1,878,111 X |
| Total of uncorrected misstatements before income tax | | (4,110,249) | (1,593,693) | 5,094,669 | 0 | 1,878,111 | 0 | 8,737,162 | | 588,522 |

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Appendix A – Schedule of Uncorrected Misstatements, continued

Communication schedule for uncorrected misstatements

Entity: **Government of Guam - General Fund, continued** Period Ended: **30-Sep-2022** Currency: **USD**

| No. | Account (Note 1) (misstatements are recorded as journal entries with a description.) | Analysis of misstatements Debit/Credit | | | | | | Effect on the current period OCI | Income statement effect of the current period | Income statement effect of the prior period |
|--|---|--|-------------------------|-------------------------|-------------------------|-------------------------|----------------|----------------------------------|---|---|
| | | Assets Current | Assets Non-current | Liabilities Current | Liabilities Non-current | Equity components | Non-taxable | | | |
| | | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) | Debit/(Credit) | Prior period Debit/(Credit) | Non-taxable |
| Total of uncorrected misstatements before income tax | | 44,116,249 | (11,993,693) | 5,094,669 | 0 | 1,879,111 | 0 | 8,737,192 | | 568,522 |
| Total of uncorrected misstatements | | 44,116,249 | (11,993,693) | 5,094,669 | 0 | 1,879,111 | 0 | 8,737,192 | | 568,522 |
| Financial statement amounts | | 536,853,628 | 0 | (461,385,418) | 0 | (135,468,210) | | 195,117,070 | | 31,864,822 |
| Effect of uncorrected misstatements on F/S amounts | | -0.8% | 0.0% | -1.3% | 0.0% | -1.4% | | 8.3% | | 1.8% |
| Memor: Total of non-taxable items (marked 'X' above) | | | | | | | | 11,566,157 | | 568,522 |
| Uncorrected misstatements before income tax | | | | | | | 8.3% | 8,737,192 | | 568,522 |
| 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 | | | | | | | 8.3% | 8,737,192 | | 568,522 |
| Turnaround effect of prior period uncorrected misstatements | | | | | | | | | After tax | Memo: Before tax |
| All factual and projected misstatements: | | | | | | | | | 568,522 | 568,522 |
| Judgmental misstatements (Note 3): | | | | | | | | | 0 | 0 |
| Cumulative effect of uncorrected misstatements, after turnaround effect | | | | | | | 7.8% | 8,168,642 | | 0 |
| Current year income before tax | | | | | | | | 195,117,070 | | |
| Current year income after tax | | | | | | | | 365,117,670 | | |

Communication schedule for uncorrected misstatements

Entity: **GovGuam - Federal Grants Assistance Fund** Period Ended: **30-Sep-2022** Currency: **USD**

| No. | Account (Note 1) (misstatements are recorded as journal entries with a description.) | Analysis of misstatements Debit/Credit | | | | | | Effect on the current period OCI | Income statement effect of the current period | Income statement effect of the prior period |
|--|--|--|-------------------------|-------------------------|-------------------------|-------------------------|----------------|----------------------------------|---|---|
| | | Assets Current | Assets Non-current | Liabilities Current | Liabilities Non-current | Equity components | Non-taxable | | | |
| | | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) (Note 2) | Debit/(Credit) | Debit/(Credit) | Prior period Debit/(Credit) | Non-taxable |
| Factual misstatements: | | | | | | | | | | |
| SAD 01 | To write off federal receivables related to FY21 PC27 for Astma Medical Benefits recorded (not reported in PF SEFA) | | | 3,650,923 | | | | | | |
| | Interfund - General Fund 100 | | | 3,650,923 | | | | | | |
| | Due from federal agency | (1,650,923) | | | | | | | | |
| SAD 02 | To reconcile amounts due from federal agencies related to FUA | | | 7,942,770 | | | | | | |
| | Interfund - General Fund 100 | | | 7,942,770 | | | | | | |
| | Due from federal agency | (2,432,763) | | (5,420,007) | | | | | | |
| SAD 03 | To correctly report federal program reimbursement for prior year general fund expenditures | | | | | | | 6,768,712 | X | |
| | Transfer out | | | | | | | 6,768,712 | X | |
| | Revenue | | | | | | | (6,768,712) | X | |
| Judgmental misstatements: | | | | | | | | | | |
| Total of uncorrected misstatements before income tax | | 8,173,686 | 0 | 6,173,688 | 0 | 0 | 0 | 0 | | 0 |
| Total of uncorrected misstatements | | 8,173,686 | 0 | 6,173,688 | 0 | 0 | 0 | 0 | | 0 |
| Financial statement amounts | | 76,166,645 | 0 | (77,742,361) | 0 | (358,284) | | 431,560 | | 161,402 |
| Effect of uncorrected misstatements on F/S amounts | | -7.9% | 0.0% | -7.9% | 0.0% | -0.0% | | 0.0% | | 0.0% |
| Memor: Total of non-taxable items (marked 'X' above) | | | | | | | | 0 | | 0 |
| Uncorrected misstatements before income tax | | | | | | | 0.0% | 0 | | 0 |
| 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 | | | | | | | 0.0% | 0 | | 0 |
| Turnaround effect of prior period uncorrected misstatements | | | | | | | | | After tax | Memo: Before tax |
| All factual and projected misstatements: | | | | | | | | | 0 | 0 |
| Judgmental misstatements (Note 3): | | | | | | | | | 0 | 0 |
| Cumulative effect of uncorrected misstatements, after turnaround effect | | | | | | | 0.0% | 0 | | 0 |
| Current year income before tax | | | | | | | | 431,560 | | |
| Current year income after tax | | | | | | | | 431,560 | | |

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Appendix B – Schedule of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: Government of Guam - Government Wide Period ended: 30-Sep-2022 Currency: USD

| No. | Account <small>(misstatements are recorded as journal entries with a description)</small> | Analysis of misstatements Debit/(Credit) | | | | | | | |
|---|--|--|--------------------|---------------------|-------------------------|-------------------|----------------------------------|---|-------------|
| | | 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 | Non taxable |
| | | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | |
| AJE 1 | <i>To adjust capital assets to reflect current year additions, transfers and depreciation based on supporting subsidiary schedule.</i> | | | | | | | | |
| | Construction in progress | | 25,759,091 | | | | | | |
| | Machinery and equipment | | 3,152,934 | | | | | | |
| | Buildings and improvements | | 3,577,167 | | | | | | |
| | Other depreciable assets | | 12,146,695 | | | | | | |
| | Accumulated depreciation | | (61,481,737) | | | | | | |
| | Net position | | | | | | | | 16,845,850 |
| AJE 2 | <i>To adjust GDOE capital leases and related accounts to reflect the amount as of September 30, 2022.</i> | | | | | | | | |
| | Notes and Bonds Payable | | | | 7,892,999 | | | | |
| | Net position | | | | | (7,892,999) | | | |
| AJE 3 | <i>To adjust the pension related amounts based on the audited Pension Schedules for the measurement period ended September 30, 2021.</i> | | | | | | | | |
| | Net pension liability | | | | 189,643,218 | | | | |
| | Deferred outflows from pension | | (62,175,581) | | | | | | |
| | Deferred inflows from pension | | | | (73,016,383) | | | | |
| | Net position | | | | | | (54,457,274) | | |
| AJE 4 | <i>To adjust the OPEB related amounts based on the audited OPEB Schedules for the measurement period ended September 30, 2021.</i> | | | | | | | | |
| | Deferred inflows from OPEB | | | | 160,040,480 | | | | |
| | Net position | | | | | | 46,742,466 | | |
| | OPEB liability | | | | (167,726,129) | | | | |
| | Deferred outflows from OPEB | | (59,056,826) | | | | | | |
| AJE 5 | <i>To recognize current year bond premium additions, amortization & additional amortization.</i> | | | | | | | | |
| | Net position | | | | | | 61,479,628 | | |
| | Notes and Bonds Payable | | | | (61,479,628) | | | | |
| AJE 6 | <i>To adjust the bond defeasance as of September 30, 2022.</i> | | | | | | | | |
| | Net position | | | | | | 9,334,164 | | |
| | Notes and Bonds Payable | | | | (9,334,164) | | | | |
| AJE 7 | <i>To adjust accrued interest related to bonds as of September 30, 2022.</i> | | | | | | | | |
| | Notes and Bonds Payable | | | | 1,155,689 | | | | |
| | Net position | | | | | | (1,155,689) | | |
| AJE 8 | <i>To adjust GASB 18 accrual for landfill.</i> | | | | | | | | |
| | Net position | | | | | | 712,553 | | |
| | Long term debt | | | | (712,553) | | | | |
| AJE 9 | <i>To record GASB 87 Lease Liabilities</i> | | | | | | | | |
| | Right-to-use Assets | | 28,983,053 | | | | | | |
| | Lease liability | | | | (22,166,199) | | | | |
| | Accumulated Depreciation | | (6,221,584) | | | | | | |
| | Amortization Expense | | | | | | | | 1,418,730 |
| RJE 1 | <i>To capitalize CWP related to project GU-IHS-0001(13J) that was already completed as of September 30, 2022.</i> | | | | | | | | |
| | Other depreciable assets | | 9,124,493 | | | | | | |
| | Construction in Progress | | (9,124,493) | | | | | | |
| | Other Governmental Fund | | | | | | | | |
| | | (7,550,120) | | 23,278,954 | (15,713,223) | (14,585,425) | | | 84,389 |
| Total of corrected misstatements before income tax | | (7,550,120) | (117,315,789) | 23,278,954 | 28,576,116 | 40,177,444 | 0 | | 18,348,969 |
| Financial statement amounts | | 2,397,690,000 | 681,102,000 | (4,870,082,000) | (522,570,000) | 2,341,859,000 | | | 122,341,000 |
| Effect of corrected misstatements on FIS amounts | | -0.3% | -17.7% | -0.5% | -5.5% | 1.7% | | | 15.0% |

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Communication schedule for corrected misstatements

Entity: Period ended: Currency:

| Corrected misstatements | | Analysis of misstatements Debit/(Credit) | | | | | | | |
|--|--|--|--------------------|---------------------|-------------------------|-------------------|----------------------------------|---|-------------|
| No. | Account | 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 | |
| (misstatements are recorded as journal entries with a description) | | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Non taxable |
| AJE 1 To adjust delinquent receivables per DRT tax receivable summary | | | | | | | | | |
| | Delinquent GRT Receivable | 5,041,431 | | | | | | | |
| | Delinquent Income Tax Receivable | (2,507,383) | | | | | | | |
| | Allowance for delinquent tax receivables | (2,533,448) | | | | | | | |
| Total of corrected misstatements before income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial statement amounts | | 536,853,628 | 0 | (401,385,418) | 0 | (135,468,210) | | 105,117,070 | |
| Effect of corrected misstatements on F/S amount | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | | 0.0% | |

Communication schedule for corrected misstatements

Entity: Period ended: Currency:

| Corrected misstatements | | Analysis of misstatements Debit/(Credit) | | | | | | | |
|--|--------------|--|--------------------|---------------------|-------------------------|-------------------|----------------------------------|---|-------------|
| No. | Account | 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 | |
| (misstatements are recorded as journal entries with a description) | | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Non taxable |
| RJE 1 To record SNAP and EBT | | | | | | | | | |
| | Expenditures | | | | | | | 159,609,709 | |
| | Revenue | | | | | | | (159,609,709) | |
| Total of corrected misstatements before income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial statement amounts | | 72,100,845 | 0 | (77,742,361) | 0 | (358,284) | | 431,560 | |
| Effect of corrected misstatements on F/S amount | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | | 0.0% | |

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Appendix B – Schedule of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: Government of Guam - Other Govt Funds Period ended: 30-Sep-2022 Currency: USD

| Corrected misstatements | | Analysis of misstatements Debit/(Credit) | | | | | | | |
|---|---|--|-----------------------|------------------------|----------------------------|----------------------|--|---|----------------|
| No. | Account | 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 | |
| | (misstatements are recorded as journal entries with a description) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Non taxable |
| RJE 1 | To adjust Fund 679 (PIA) | | | | | | | | |
| | Receivables-Other | (23,278,954) | | | | | | | |
| | Deferred revenue | | | 23,278,954 | | | | | |
| AJE 1 | To record GASB 87 AR Leases | | | | | | | | |
| | Receivable-Leases | 15,626,834 | | | | | | | |
| | Deferred inflows-Leases | | | | (15,713,223) | | | | |
| | Revenues | | | | | | | 84,389 | |
| | Expenditures | | | | | | | | |
| Total of corrected misstatements before income tax | | (7,650,120) | 0 | 23,278,954 | (15,713,223) | 0 | 0 | 84,389 | |
| Financial statement amounts | | 191,761,144 | 0 | (70,719,362) | (15,904,021) | (105,137,621) | | 2,770,519 | |
| Effect of corrected misstatements on F/S amounts | | -4.0% | 0.0% | -32.9% | 98.8% | 0.0% | | 3.0% | |

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Appendix C – Subsequent Events

Subsequent Events Questionnaire

Coverage: For the period from October 1, 2021 to Auditor report date

| Questions | |
|-----------|---|
| 1 | Have there been any business combinations, acquisitions of significant assets, segment disposals, disposals of significant assets or extraordinary, unusual or infrequently occurring transactions, except as disclosed in the financial statements? Answer: NO |
| 2 | Have any significant contingent liabilities or commitments arisen, except as disclosed in the financial statements? Answer: NO |
| 3 | Have any significant changes occurred in trends in sales/revenues or costs that could affect accounting estimates (e.g., valuation of receivables or inventories, realization of deferred charges, provisions for warranties or employee benefits or unearned income)? Answer: NO |
| 4 | Have any significant changes occurred, or are pending, in the capital accounts, long term debt, including debt covenants and compliance with them, or working capital, except as disclosed in the financial statements? Answer: NO |
| 5 | Have any significant changes occurred in the status of items, including contingent liabilities and commitments that were accounted for on the basis of tentative, preliminary or inconclusive data? Answer: NO |
| 6 | Have any significant unusual or non-recurring adjustments been recorded (or are necessary)? Answer: NO |
| 7 | Have any communications, written or oral, occurred with regulatory agencies with which the entity files financial statements? Answer: NO |
| 8 | Have there been any changes in the entity's related parties? Answer: NO |
| 9 | Have any significant new related party transactions occurred? Answer: NO |
| 10 | Have any other events occurred, other than those disclosed in response to the previous questions or those reflected or disclosed in the financial statements that could have a material effect on the audited financial statements? Answer: NO |
| 11 | Are you aware of any fraud or suspected fraud affecting Government of Guam involving (1) management, (2) employees who have significant roles in internal control or (3) others, when the fraud could have a material effect on the financial statements? Answer: NO |
| 12 | Are you aware of any allegations of financial improprieties, including fraud or suspected fraud (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), when such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of Government of Guam ? Answer: NO |

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13 Are you aware of any close relationships, or business employment or other relationships that could bear on EY's independence (e.g. business/financial relationships, litigation with EY, family relationship, employment, loans, cooperative arrangements, etc.)? **Answer: NO**