

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

Guam Economic Development Authority
(A Component Unit of the Government of Guam)

Year ended September 30, 2021





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

April 6, 2022

The Board of Directors
Guam Economic Development Authority:

We have performed an audit of the financial statements of the Guam Economic Development Authority (GEDA) and Guam Development Fund Act (the Fiduciary Fund”) as of and for the year ended September 30, 2021, 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 April 6, 2022.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

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 GEDA is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated December 3, 2019 and at our audit planning meeting with management.

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

The financial statements, required supplementary information and supplementary information are the responsibility of GEDA’s management as prepared with the oversight of those charged with governance. 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.

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 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.

Our responsibilities are included in our audit engagement letter.

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

Our audit strategy is consistent with the plan communicated during the August 2021 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 GEDA's ability to continue as a going concern.

Our views about the qualitative aspects of GEDA'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. 84 – *Fiduciary Activities* 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.

Significant findings and issues arising during the audit relating to related parties

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

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

None.

Significant unusual transactions

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

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

None.

Material corrected misstatements, related to accounts and disclosures

Refer to “Summary of Corrected Misstatements” in Appendix A.

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

Certain uncorrected misstatements accumulated by us were identified during the audit and pertaining to the latest period presented, which were determined by GEDA’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).

Significant deficiencies and material weaknesses in internal control over financial reporting

No material weaknesses have been identified.

Fraud and 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 GASB Statement No. 87 – *Leases*.

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

None.

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

None.

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 findings or issues regarding the oversight of the financial reporting process

There are no other findings or issues arising from the audit that are, in our judgment, 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 the Company 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 we are requesting from management

See management representations letter related to the audit in Appendix C.

Engagement team’s involvement with preparation of the financial statements

Under GAS 2011 Revision, Chapter 3 General Standards, Paragraph 3.34 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 who possesses suitable skill, knowledge or experience and that the individual understands 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 control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- The preparation of the financial statements is based on GEDA’s trial balance with our understanding that GEDA’s underlying books and records are maintained by GEDA’s accounting department and that the final trial balance prepared by GEDA is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of GEDA.
- GEDA’s Administrative Services Manager has the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

This report is intended solely for the information and use of GEDA's Board of Directors, management and the Office of Public Accountability of Guam. It 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

Appendix

A – Summary of Corrected Misstatements

B – Summary of Uncorrected Misstatements

C – Management Representations Letter

Appendix A – Summary of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: Guam Economic Development Authority Period ended: 30-Sep-2021 Currency: USD

Corrected misstatements	Analysis of misstatements						Income statement effect of the current period			
	WIP ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current		Equity components	Effect on the current period OCI	Debit/(Credit)
No.		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	
AJE01 - P0600		To adjust the OPEB balances based on the audited actuarial reports of NMS for Plan year ended September 30, 2020								
GEDA		Deferred Outflow - OPEB		2,483,223						
		Deferred Inflow - OPEB			(793,636)					
		Total collective OPEB liability			(2,213,296)					
		Other Income (expense) - OPEB Expense							523,709	X
AJE02 - P0400		To record the adjustment to pension amounts based on the September 30, 2020 audited pension schedules								
GEDA		Deferred outflow - Pensions		399,709.00						
		Deferred inflow - pensions			111,350.00					
		Net pension liability			(385,959.00)					
		Personnel services: Pension Expense							(145,101.00)	X
RJE01 - N0120		To reverse interfund transaction improperly recorded at yearend.								
GEDA		Accounts Payable			350,000					
		Due from GDFA	(350,000)							
RJE02 - E0220		To adjust the balance of restricted cash and cash equivalents to reflect the required 20% reserve guaranteed under the Loan Guarantee Program								
SSBCI		Cash and cash equivalents - restricted		925,528						
		Cash and cash equivalents	(925,528)							
AJE03 - N0130		To correct adjustments related to certain QC contributions								
GEDA		Other liabilities			68,625					
		Miscellaneous expense							(68,625)	X



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Appendix A – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: Guam Economic Development Authority Period ended: 30-Sep-2021 Currency: USD

No.	W/P ref.	Account	Analysis of misstatements						Income statement effect of the current period	Non taxable
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI		
Corrected misstatements										
(misstatements are recorded as journal entries with a description)										
AJED4 - GEDA	N0130	To recognize OC contributions due during the fiscal year and reflect all receipts and distributions related to the OC program in the financial statements.	418,634							
		Other receivable								
		Grant Expenses							666,985	X
		Other Liabilities			1,226,519					
		Qualifying certificate application, surveillance and other							(773,625)	X
		Net Position - beginning of year					(1,538,513)			
Corrected misstatements										
AJED5 - GEDA	N0130	To recognize OC contributions due during the fiscal year and reflect all receipts and distributions related to the OC program in the financial statements.	381,368							
		Other receivable								
		Grant Expenses							1,100,157	X
		Other Liabilities			(621,466)					
		Qualifying certificate application, surveillance and other							(860,057)	X
Corrected misstatements										
RJED3 - SSBGI	E0220	To properly present unrestricted net position as of 9/30/2020 based on reserve requirement per loan participating agreement.						11,108,550		
		Net position - Restricted						(11,108,550)		
		Cash and cash equivalents - restricted	772,571							
		Cash and cash equivalents	(772,571)							



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1 August 2018


Appendix A – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity:		Guam Economic Development Authority		Period ended:	30-Sep-2021		Currency:	USD		
Corrected misstatements No.	W/P ref.	Account	Analysis of misstatements						Income statement effect of the current period	Non taxable
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI		
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	
Total of corrected misstatements before income tax			450,000	2,882,932	1,023,678	(3,281,540)	(1,538,513)	0	443,443	
Financial statement amounts			27,333,550	4,981,122	(2,428,089)	(43,793,535)	13,896,932		(1,689,612)	
Effect of corrected misstatements on FIS amounts			1.6%	57.8%	-42.2%	7.4%	-11.1%		-26.1%	

I have reviewed, agreed and approved the foregoing audit adjustments and have reflected in the financial statements.


Melanie Mendiola, Chief Executive Officer/Administrator


Ansel Villaverde, Administrative Services Manager



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1 August 2018

Appendix A – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: <u>Guam Economic Development Authority</u>		Period ended: <u>30-Sep-2020</u>	Currency: <u>USD</u>							
Corrected misstatements		Analysis of misstatements								
No.	W/P ref.	Account (misstatements are recorded as journal entries with a description)	Assets Current Debit/(Credit)	Assets Non-current Debit/(Credit)	Liabilities Current Debit/(Credit)	Liabilities Non-current Debit/(Credit)	Equity components Debit/(Credit)	Effect on the current period OCI Debit/(Credit)	Income statement effect of the current period Debit/(Credit)	Non taxable
RJE	EQ0120	To correct current portion of long-term debt								
01		Bonds Payable				190,000				
		Current Portion of Long-Term Debt			(190,000)					
RJE	EQ220	To correct cash equivalent balance at yearend								
02		Cash Equivalent Investment	69,895							
		Cash and Cash Equivalent TSA (RESTRICTED)	(69,895)							
AJE	PI9600	To adjust the OPEB balances based on the audited actuarial reports of KWS for Plan year ended September 30, 2018								
01		Deferred Outflow - OPEB		589,194						
		Deferred Inflow - OPEB				350,475				
		Total collective OPEB liability				(918,891)				
		Other Income (expense) - OPEB Expense							(20,778)	
AJE	PI400	To record the adjustment to pension amounts based on the September 30, 2019 audited pension schedules								
02		Deferred outflow - Pensions		173,129						
		Deferred inflow - pensions				(165,347)				
		Net pension liability				108,886				
		Personnel services: Pension Expense							(114,668)	
AJE	UA013	To book unrecovered QC contribution revenue								
03		Other receivable	68,625							
		QC Application/Surv/Other Fee							(68,625)	



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1 August 2018

Appendix A – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: <u>Guam Economic Development Authority</u>		Period ended: <u>30-Sep-2020</u>	Currency: <u>USD</u>							
Corrected misstatements		Analysis of misstatements Debit/(Credit)								
No.	W/P ref.	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	NO130	To recognize QC contributions due during the fiscal year and reflect all receipts and distributions related to the QC program in the financial statements.								
04	2021	Other receivable	419,634							
		Grant Expenses							666,985	
		Other Liabilities		1,226,519						
		Qualifying certificate application, surveillance and other								
		Net Position - beginning of year					(1,538,513)			
RUE	E0220	To properly present unrestricted net position as of 9/30/2020 based on reserve requirement per loan participating agreement.								
03	2021	Net position - Restricted					11,108,550			
		Net position - Unrestricted					(11,108,550)			
		Cash and cash equivalents - restricted	772,571							
		Cash and cash equivalents	(772,571)							
Total of corrected misstatements before income tax			487,259	762,323	1,036,519	(436,877)	(1,538,513)	0	(310,711)	
Financial statement amounts			24,837,163	2,133,654	(2,469,907)	(40,097,454)	15,596,544		(471,159)	
Effect of corrected misstatements on FIS amounts			2.0%	35.7%	-42.0%	1.1%	-9.9%		65.9%	

I have reviewed, agreed and approved the foregoing audit adjustments and have reflected in the financial statements.


Melaine Mendiola, Chief Executive Officer/Administrator


Ariana Millaverde, Administrative Services Manager



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Appendix B – Summary of Uncorrected Misstatements

Entity: Guam Economic Development Authority Period Ended: 30-Sep-2021 Currency: USD

Communication schedule for uncorrected misstatements

No.	W/P ref.	Account (Note 1)	Analysis of misstatements Debit/(Credit)						Income statement effect of the prior period		
			Assets Current	Assets Non-current (Note 2)	Liabilities Current (Note 2)	Liabilities Non-current (Note 2)	Equity components Debit/(Credit)	Effect on the current period OCI	Income statement effect of the current period	Income statement effect of the prior period	
(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)	Prior period Debit/(Credit)	Non assessable	
Uncorrected misstatements											
Judgmental misstatements:											
SAD01 - E0150		To record additional provision for doubtful accounts for overdue balances.									
GEDA		Provision for doubtful accounts	(107,000)								
		Allowance for doubtful accounts									
Reclassification misstatements:											
SAD02 - P0100		To record interfund transfers to proper account									
GEDA		Accrued liabilities - A/R Suspense - Industrial Park			77,132						
		Due to TSA			(77,132)						
SAD03 - P0100		To record interfund transfers to proper account									
TSA		Due from GEDA	77,132								
		Accrued liabilities - Other Payables			(77,132)						
Factual misstatements:											
None noted.											
Projected misstatements:											
None noted.											



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Appendix B – Summary of Uncorrected Misstatements, continued

Communication schedule for uncorrected misstatements

Entity: Guam Economic Development Authority Period Ended: 30-Sep-2021 Currency: USD

No.	W/P ref.	Account (Note 1)	Analysis of misstatements (Debit/Credit)				Effect on the current period OCI		Income statement effect of the prior period		
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Debit/Credit	Debit/Credit	Prior period Debit/Credit	Non taxable	
(misstatements are recorded as journal entries with a description)											
Total of uncorrected misstatements before income tax			(29,868)	0	(77,132)	0	0	0	0	107,000	0
Total of uncorrected misstatements			(29,868)	0	(77,132)	0	0	0	0	107,000	0
Financial statement amounts			27,333,350	4,391,122	(2,428,069)	(43,783,536)	13,696,932			(1,696,612)	0
Effect of uncorrected misstatements on F/S amounts			-0.1%	0.0%	3.2%	0.0%	0.6%			-4.3%	0.0%
Memo: Total of non-taxable items (marked 'X' above)											
Uncorrected misstatements before income tax										107,000	0
Less: Tax effect of misstatements at current year marginal rate										0	0
Uncorrected misstatements in income tax										0	0
Cumulative effect of uncorrected misstatements after tax but before turnaround										107,000	0
Turnaround effect of prior period uncorrected misstatements										0	0
All factual and projected misstatements:										0	0
Judgmental misstatements (Note 3):										0	0
Cumulative effect of uncorrected misstatements, after turnaround effect										107,000	0
Current year income before tax										308,969	0
Current year income after tax										(7,692,612)	0


Do not remove any categories of misstatements above, even if there are no misstatements; removing these categories may adversely affect the formulas or template functionality.

Memo: Before tax
After tax

Memo: Before tax
After tax

I believe that the effect of the above uncorrected misstatements, 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 taken as a whole.


Melanie Mendiola, Chief Executive Officer/Administrator


Mariana Villaverde, Administrative Services Manager



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1 August 2018

Appendix C – Management Representations Letter

LOURDES A. LEON GUERRERO
Governor of Guam
I Maga'Haga Guahan

JOSHUA F. TENORIO
Lt. Governor of Guam
I Segundo Na Maga'Lahen Guahan



MELANIE MENDIOLA
Chief Executive Officer/Administrator
Atkhá: Eksekutibu Ofisial/Atmenestradora

April 06, 2022

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

In connection with your audits of the basic financial statements of the Guam Economic Development Authority (the Authority or GEDA) as of September 30, 2021 and 2020 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 financial position, results of operations and cash flows of the Authority 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 3, 2019 for the preparation and fair presentation of the financial statements (including disclosures) in conformity with 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



Appendix C – Management Representations Letter, continued

LOURDES A. LEON GUERRERO

*Governor of Guam
I Maga Haga Guahan*

JOSHUA F. TENORIO

*Lt. Governor of Guam
I Segundo Na Maga Lahen Guahan*



MELANIE MENDIOLA

*Chief Executive Officer/Administrator
Atkádi Eksekutibu Ofisial/Atmenestradora*

- Unrestricted access to persons within the Authority from whom you determined it necessary to obtain evidence

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.

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.

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.

From March 26, 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, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.



Appendix C – Management Representations Letter, continued

LOURDES A. LEON GUERRERO
Governor of Guam
I Maga' Haga Guahan

JOSHUA F. TENORIO
Lt. Governor of Guam
I Segundo Na Maga' Lahen Guahan



MELANIE MENDIOLA
Chief Executive Officer/Administrator
Athãdi Eksekutibu Oñsiat/Atmenestradora

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, 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.

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, 2021.

Minutes and contracts

The dates of meetings of the Board of Directors and important management committees from October 1, 2020 to April 06, 2022 are as follows:

October 22, 2020
November 10, 2020
December 17, 2020
January 21, 2021
February 18, 2021
March 18, 2021
April 15, 2021
May 20, 2021
June 17, 2021
July 15, 2021
August 19, 2021
August 31, 2021
September 16, 2021
October 21, 2021
November 18, 2021
December 16, 2021
January 20, 2022
February 17, 2022



Appendix C – Management Representations Letter, continued

LOURDES A. LEON GUERRERO
Governor of Guam
I Maga Haga Guahan

JOSHUA F. TENORIO
Lt. Governor of Guam
I Segundo Na Maga Lahen Guahan



MELANIE MENDIOLA
Chief Executive Officer/Administrator
Atthádi Eksektibu Ofisial/Atmenestradora

We have made available to you all minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

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.

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

There are no assets 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.

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 revenue. 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 services rendered prior to those dates and for uncollectible accounts that may be incurred in the collection of receivables at those dates.

We have disclosed to you all revenue terms (both expressed and implied). We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers.

Fair value measurements



Appendix C – Management Representations Letter, continued

LOURDES A. LEON CUERRERO
Governor of Guam
I Maga'Haga Guahan

JOSHUA F. TENORIO
Lt. Governor of Guam
I Segundo Na Maga'Lahen Guahan



MELANIE MENDIOLA
Chief Executive Officer/Administrator
Atkadi Eksekutibu Ofsiat/Atmenestradora

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.

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.

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 Statement No. 62-as amended.

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



Appendix C – Management Representations Letter, continued

LOURDES A. LEON GUERRERO
Governor of Guam
I Maga' Haga Guahan

JOSHUA F. TENORIO
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MELANIE MENDIOLA
Chief Executive Officer/Administrator
Atkãdi Eksekutibu Ofisial/Atmenestradora

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 GASB Statement No. 62-as amended, 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 Statement No. 62 – as amended.

Oral or written guarantees

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

Purchase commitments

At September 30, 2021 and 2020, 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, 2021 and 2020 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.

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 that there are no 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



Appendix C – Management Representations Letter, continued

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Atkadi Eksekutibu Ofisial/Atmenestradora

We have communicated to you the names of all the GEDA's affiliates, officers and directors.

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 independent for purposes of the Authority's audit.

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 Authority 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. 87
- GASB Statement No. 89
- GASB Statement No. 90
- GASB Statement No. 91
- GASB Statement No. 92
- GASB Statement No. 93
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 97

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 on pages 4 through 20 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 61, 63, and 65, the Schedule of Contributions on pages 62, 64, 66 and 68 and the Schedule of Proportional Share of the Collective Total Other Postemployment Benefit Liability on page , which have been measured



Appendix C – Management Representations Letter, continued

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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.

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

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.

Going concern

The Authority's ability to continue as a going concern was evaluated and appropriate disclosures are made in the financial statements as necessary under GASB requirements.

Supplementary information

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

- Supplemental Schedule of Salaries and Wages
- Supplemental Comparative Divisional Schedules of Net Position
- Supplemental Comparative Divisional Schedules of Revenue, Expenses and Changes in Net Position
- Supplemental Comparative Divisional Schedules of Cash Flows

The supplementary information complies, in all material respects, with the GASB.

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.

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



Appendix C – Management Representations Letter, continued

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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.

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 followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, 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. Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.

Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.

Provisions for uncollectible receivables have been properly identified and recorded.

Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.

Special and extraordinary items are appropriately classified and reported.

Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.

Investments, derivative transactions, and land and other real estate held by endowments are properly valued.

Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and, if applicable, depreciated.



Appendix C – 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.

Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

We have disclosed the names of all governments with which we have a tax abatement agreement, the total gross amount of taxes abated during the period, the specific taxes that were abated, and whether any commitments other than to reduce taxes were made as part of any tax abatement agreement as required by GASB Statement No. 77.

We have disclosed tax abatements entered into by other governments that affect our revenues, including the names of the governments that entered into the agreements, the specified taxes being abated and the gross dollar amount of taxes abated during the period, as required by GASB Statement No. 77.

The Authority has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by the 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 the Authority on behalf of the 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.

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of the Government of Guam, autonomous agencies, public corporations and other public instrumentalities of the Government of Guam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning 1991. The Authority has determined that is not subject to the law as its employees are not classified and as such, has not paid or recorded any merit bonus through the date of this letter.

We have determined that recording of Tobacco Settlement Revenue receipts on a cash basis is appropriate as the annual payments are contingent on various factors and difficult to predict. Additionally, we do not believe that the net difference of recording of the receipts on a cash basis and accrual basis is significant to the Authority's financial statements.

We have determined that any legal settlements related to the Authority's role as a project management office for the Government of Guam (GovGuam) would be recorded by GovGuam.

Subsequent events

Subsequent to September 30, 2021, 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



Appendix C – Management Representations Letter, continued

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Athôdi Eksekutibu Ofisial/Atmenestradora

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 audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and were, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Authority as a whole, 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,

A handwritten signature in black ink, appearing to read "Melanie Mendiola", written over a horizontal line.

Melanie Mendiola
Chief Executive Officer/Administrator

A handwritten signature in black ink, appearing to read "Angina Villaverde", written over a horizontal line.
Angina Villaverde
Administrative Services Manager