

*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, 2020





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March 26, 2021

The Board of Directors
Guam Economic Development Authority:

We have performed an audit of the financial statements of the Guam Economic Development Authority (GEDA), Guam Development Fund Act and Agricultural Development Fund (collectively, the “Funds”) as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated March 26, 2021.

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

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.

Auditor’s responsibility under professional standards, including discussion of the type of auditor’s report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity’s ability to continue as a going concern

The financial statements, required supplementary information and supplementary information are the responsibility of 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, as established by the American Institute of Certified Public Accountants, to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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.

Our responsibilities are included in our audit engagement letter.

The Adoption of, or a Change in Significant Accounting Policies

We determined that the Board is informed about the initial selection of, and any changes in significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.

Sensitive Accounting Estimates

A discussion of sensitive accounting estimates has been included in footnote 1 of the 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:

- Determining the adequacy of the recorded allowance for doubtful accounts.
- Preparing budgets that are used to administer and monitor GEDA and the Funds' operations. These budgets include determining how existing financial resources will be used in GEDA and the Funds' operations.
- Determining useful lives in the calculation of depreciation expense.
- Determining the assumptions utilized in measuring pension and other employee-related reserves and related costs for financial accounting purposes.

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

We are not aware of any significant accounting policies used by GEDA in controversial or emerging areas or for which there is a lack of authoritative guidance.

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

A discussion of significant accounting policies has been included in footnote 1 of the financial statements.

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

Refer to “Summary of Uncorrected Misstatements” in Appendix B.

Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements

In the event that GEDA issue an Annual Report or other documentation that includes the audited financial statements, you will be required to have the Annual Report or other information be reviewed by us. Material inconsistency or knowledge of a material misstatement of fact, if any, will be discussed with the management and to those charged with governance, if deemed necessary.

Fraud and illegal acts

We are not aware of any matters that require communication.

Control Related Matters

We did not identify any findings relating to GEDA’s internal control over financial reporting.

We have communicated to management, in a separate letter also dated March 26, 2021, an other matter related to GEDA’s internal control over financial reporting that we identified during the audit.

Independence matters

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

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 C.

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 findings and issues arising during the audit relating to related parties

We are not aware of any matters that require communication.

Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management

We are not aware of any matters that require communication.

Significant difficulties encountered during the audit

There were no serious difficulties encountered in dealing with management in performing the audit.

Disagreements with management

There were no material disagreements with GEDA'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.

AICPA ethics ruling regarding third-party service providers

Our responsibilities are included in our audit engagement letter.

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.

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:

- 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 the 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.
- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.

The Board of Directors
Guam Economic Development Authority

This report is intended solely for the information and use of the Board of Directors and management. It is not intended to be and should not be used by anyone other than these specified parties.

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-2020

Currency: USD

No.	W/P ref.	Account	Analysis of misstatements						Income statement effect of the current period
			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)
RJEO100120		To correct current portion of long-term debt							
		Bonds Payable				190,000			
		Current Portion of Long-Term Debt	(190,000)						
RJEO1E0220		To correct cash equivalent balance at yearend							
		Cash Equivalent Investment	69,695						
		Cash and Cash Equivalent TSA (RESTRICTED)	(69,695)						
AJEO1P0600		To adjust the OPEB balances based on the audited actuarial reports of KMS for Plan year ended September 30, 2018							
		Deferred Outflow - OPEB		589,194					
		Deferred Inflow - OPEB				350,475			
		Total collective OPEB liability				(918,891)			
		Other Income (expense) - OPEB Expense							(20,778)
AJEO2P0400		To record the adjustment to pension amounts based on the September 30, 2019 audited pension schedules							
		Deferred outflow - Pensions		173,129					
		Deferred inflow - pensions				(165,347)			
		Net pension liability				106,886			
		Personnel services: Pension Expense							(114,668)
AJEO3UA0131		To book unrecorded QC contribution revenue							
		Other receivable	68,625						
		QC Application/Surv/Other Fee							(68,625)
Total of corrected misstatements before income tax			68,625	762,323	(190,000)	(436,877)	0	0	(204,071)
Financial statement amounts			23,206,805	2,133,654	(3,695,640)	(40,097,454)	18,452,635		(308,962)
Effect of corrected misstatements on F/S amounts			0.3%	35.7%	5.1%	1.1%	0.0%		66.1%



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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-2020 Currency: USD

Corrected misstatements		Analysis of misstatements						Income statement effect of the current period			
No.	WP ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit/(Credit)	Debit/(Credit)	Non taxable
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)			

I have reviewed, agreed and approved the foregoing proposed adjusting and reclassifying journal entries above and have reflected those in the financial statements.



Melanie Mendiola, Chief Executive Officer/Administrator



Joann Camacho, Deputy Administrator



Ariana Villaverde, Administrative Services Manager



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1 August 2018

Appendix A – Summary of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: Guam Development Fund Act Period ended: 30-Sep-2020 Currency: USD

Corrected misstatements No.	WIP ref.	Account	Analysis of misstatements						Income statement effect of the current period				
			Assets Current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non-taxable		
AJE01	E0210	To adjust AR allowance at yearend based on the correct AR allowance analysis											
		Non-Operation Revenue/Expense Allowance for Doubtful Accounts	(92,000)										92,000
Total of corrected misstatements before income tax			(92,000)	0	0	0	0	0	0	0	0	0	92,000
Financial statement amounts			12,667,524	0	(548,455)	0	(12,119,089)						(262,716)
Effect of corrected misstatements on F/S amounts			-0.7%	0.0%	0.0%	0.0%	0.0%						-35.0%

I have reviewed, agreed and approved the foregoing proposed adjusting journal entry above and have reflected it in the financial statements.


Melanie Mendiola, Chief Executive Officer/Administrator


Joaquin Camacho, Deputy Administrator


Ariana Villaverde, Administrative Services Manager



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1 August 2018

Appendix B – Summary of Uncorrected Misstatements, continued

Communication schedule for uncorrected misstatements

Entity: Guam Economic Development Authority Period Ended: 30-Sep-2020 Currency: USD

No.	W/P ref.	Account (Note 1) (misstatements are recorded as journal entries with a description.)	Analysis of misstatements Debit/(Credit)				Effect on the current period OCI Debit/(Credit)	Income statement effect of the current period		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)	Debit/(Credit)	Non-taxable	Prior period Debit/(Credit)	Non-taxable
Turnaround effect of prior period uncorrected misstatements												
All factual and projected misstatements: Judgmental misstatements (Note 3):												
								After tax	68,625	68,625	0	0
									-22.2%	68,625	0	0
Cumulative effect of uncorrected misstatements, after turnaround effect												
									(308,982)			
Current year income before tax												
Current year income 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


Joann Camacho, Deputy Administrator


Angela 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
Atkádi Eksekutibu Ofisial/Atmenestradora

JOANN G. CAMACHO
Deputy Administrator
Sigundon Atmenestradora

March 26, 2021

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, 2020 and 2019 and for the periods then ended, and the basic financial statements of the Guam Development Fund Act (G DFA) and the Agricultural Development Fund (ADF) (together, the Funds) as of September 30, 2020 and 2019 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 and the Funds 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
- Unrestricted access to persons within the Authority from whom you determined it necessary to obtain evidence



Appendix C – Management Representations Letter, continued

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

From May 15, 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, 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 impact to the financial statements, in each case or in the aggregate.

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.

There have been no significant changes in internal control since September 30, 2020.

Minutes and contracts

The dates of meetings of the Board of Directors and important management committees from October 1, 2020 to March 26, 2021 are as follows:

October 17, 2019	May 1, 2020	October 22, 2020
December 31, 2019	June 11, 2020	November 10, 2020
January 23, 2020	July 23, 2020	December 17, 2020
February 20, 2020	August 20, 2020	January 21, 2021
April 13, 2020	September 17, 2020	February 18, 2021

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.



Appendix C – Management Representations Letter, continued

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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.

We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements due to the COVID-19 pandemic.

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.

Loans are correctly described in the Funds' financial statements, in all material respects, and represent valid claims against the debtors indicated arising on or before the dates indicated in the financial statements. Our disclosures related to the credit quality of financing receivables and the allowance for credit losses are complete and adequate.

Appropriate provision has been made for credit losses inherent in the Funds' loan portfolio that has been incurred as of the statement of net position dates. Significant assumptions used by us in estimating the allowance for credit losses are reasonable and supportable.

The Funds have no loans in the financial statements that should be classified as held for sale. The Authority has the positive intent and ability to hold for the foreseeable future or until



Appendix C – Management Representations Letter, continued

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maturity or payoff all loans that are classified as held for investment.

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.

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

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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, 2020 and 2019, 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, 2020 and 2019 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

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



Appendix C – Management Representations Letter, continued

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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. 84
- 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 67 which have been measured and presented in conformity with the guidelines established by the GASB 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.



Appendix C – Management Representations Letter, continued

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

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

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

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

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

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.



Appendix C – Management Representations Letter, continued

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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.

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.

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



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 Eksektibu Ofisial/Atmenestradora

JOANN G. CAMACHO
Deputy Administrator
Sigundon Atmenestradora

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.

We have no intention of terminating our participation in the Government of Guam Retirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.

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.

Subsequent events

Subsequent to September 30, 2020, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Authority and the Funds' 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 and the Funds.



Appendix C – Management Representations Letter, continued

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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 and the Funds 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,

Melanie Mendiola
Chief Executive Officer/Administrator

Joann Camacho
Deputy Administrator

Ariana Villaverde
Administrative Services Manager

