

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

**Government of Guam  
Solid Waste Operations Fund, Capital Projects Fund,  
and Debt Service Fund**

(Governmental Funds of the Government of Guam)

*Year ended September 30, 2022*





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 4, 2023

Honorable Lou Leon Guerrero  
Governor of Guam

We have performed an audit of the financial statements of the Solid Waste Operations Fund Capital Projects Fund and Debt Service Fund (the Funds), as of and for the year ended September 30, 2022, 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 April 4, 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 management, the Office of the Governor 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.

Very truly yours,

## **REQUIRED COMMUNICATIONS**

### **Auditor's responsibility 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 the Funds' 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 December 2022 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 the Funds' 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. A discussion of significant accounting policies and sensitive accounting estimates have been included in footnote 1 of the financial statements.

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

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 the Funds' operations. These budgets include determining how existing financial resources will be used in the Funds' operations.
- Determining the adequacy of the allowance for accounts receivable.
- Determining the assumptions used in measuring significant accounting estimates for financial accounting purposes.

**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 the Funds.

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

Certain uncorrected misstatement accumulated by us were identified during the audit and pertaining to the latest period presented, which were determined by the Funds' management to be immaterial, both individually and in the aggregate, to the financial statements as a whole. Refer to "Management Representations Letter" in Appendix A.

**Material corrected misstatements related to accounts and disclosures**

Refer to "Management Representations Letter" in Appendix A.

**Significant deficiencies and material weaknesses in internal control over financial reporting**

No material weaknesses have been identified.

**Fraud and noncompliance with laws and regulations (illegal acts)**

We are not aware of any matters that require communication.

**Obtain information relevant to the audit**

Inquiries regarding matters relevant to the audit were performed during the December 2022 client planning meeting.

**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**

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 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 the Academy 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**

Refer to "Management Representations Letter" in Appendix A.

**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.

**Engagement team's involvement with preparation of the financial statements**

Under GAS 2011 Revisions, 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(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 the Fund.
- The preparation of the financial statements is based on the Funds' trial balance with the understanding that underlying books and records are maintained by the Funds' accounting department and that the final trial balance prepared by the Funds is complete.
- The Funds Comptroller has the skill set to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

**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.

Honorable Lou Leon Guerrero  
Governor of Guam

April 4, 2023

## Appendices

A – Management Representations Letter

A – Management Representations Letter



**GUAM SOLID WASTE AUTHORITY**

LOURDES A. LEON GUERRERO  
Governor of Guam

JOSHUA F. TENORIO  
Lt. Governor of Guam

IRVIN L. SLIKE  
General Manager



April 04, 2023

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

Hafa Adai!

In connection with your audit of the basic financial statements of the Guam Solid Waste Operations Fund, Capital Projects Fund, and Debt Service Fund (the Funds) as of September 30, 2022 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities of the Funds and the respective changes in financial position, thereof (and the respective budgetary comparison for the Funds) in conformity with US generally accepted accounting principles.

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

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

***Management's responsibilities***

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated January 27, 2023 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 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

A – Management Representations Letter, continued

- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Government 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, 2022 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 misstatement (including those related to supplementary information), summarized in the accompanying schedules, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole and to the supplementary information. Refer to the “Schedule of Uncorrected Misstatement” in Appendix A.

***Corrected misstatements***

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

***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, 2021.

***Minutes and contracts and internal audit reports***

The dates of meetings of shareholders, directors, committees of directors and important management committees from October 1, 2021 to October 31, 2022 are as follows:

- October 7, 2021
- November 4, 2021
- December 02, 2021
- January 14, 2021
- February 17, 2022
- March 17, 2022

A – Management Representations Letter, continued

- 
- April 22, 2022
  - May 19, 2022
  - June 22, 2022
  - July 01, 2022
  - August 26, 2022
  - September 22, 2022
  - October 20, 2022

We 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), the Government has satisfactory title to all assets appearing in the balance sheet. 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 Government has satisfactory title appear in the balance sheet.

***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 balance sheet 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.

***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

A – Management Representations Letter, continued

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 Government'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.

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 have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62-as amended, nor are there any accruals for loss contingencies included in the balance sheet or gain

A – Management Representations Letter, continued

contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62-as amended.

There are no oral or written guarantees, other than those reports in the basic financial statements, including guarantees of the debt of others.

***Oral or written guarantees***

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

***Purchase commitments***

At September 30, 2022, the Government 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.

***Fraud***

We acknowledge our responsibility for the design, implementation and maintenance of a system of 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 Government'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 to you any 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 Government.

***Independence***

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

We are not aware of any business relationship between the Government 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 Government's audit.

A – Management Representations Letter, continued

***Conflicts of interest***

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

***Other information***

We confirm that we have not identified any other information as defined in AICPA AU-C 720, *The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports*.

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

The Government is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its balance sheet and the changes in its fund balance 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 6 through 13, which have been measured and presented in conformity with the guidelines and/or objectives 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.

***Supplementary and Other Information***

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

- Comparative Balance Sheets
- Comparative Statements of Revenues, Expenditures by Function, and Changes in Fund Balances

A – Management Representations Letter, continued

- Comparative Statements of Revenues, Expenditures by Object, and Changes in Fund Balances
- Comparative Schedule of Receivables, Revenues, and Collections
- Combining Balance Sheets, Combining Statements of Revenues, Expenditures by Function, and Changes in Fund Balances
- Comparative Schedule of Employees and other Data
- General Obligation Bonds and Limited Obligation Bonds

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

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

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

#### 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 (or available to be issued, if applicable), and provide appropriate financial statement disclosure, as necessary under GASB requirements.

#### 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 present only the Funds. They are not intended to present the financial position and results of operations of the Government of Guam in conformity with US GAAP.

Components of balance sheet (and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

Expenditures have been appropriately classified in or allocated to functions and programs in the Statement of Revenues, Expenditures and Changes in Fund Balances, and allocations have been made on a reasonable basis.

Revenues are appropriately classified in the Statement of Revenues, Expenditures and Changes in Fund Balances.

Interfund, internal and intra-entity activity and balances have been appropriately classified and reported in the financial statements.

A – Management Representations Letter, continued

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

Deposits are properly classified in the category of custodial credit risk.

Our policy regarding whether to first apply restricted or unrestricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available is appropriately disclosed and fund balance was properly recognized under the policy.

We are following either our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or are following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.

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

The Government 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 the Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.

There has been no:

- a. Action taken by the Government management that contravenes the provisions of federal laws, Guam laws, and laws and regulations, or of contracts and grants applicable to the Government.
- b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements, which have been provided to you.

**Subsequent events**

Subsequent to September 30, 2022, no events or transactions as outlined in “Subsequent Events” in Appendix C 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 Government 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, where applicable, cash flows of the Funds.

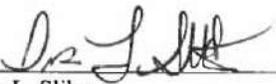
\*\*\*\*\*

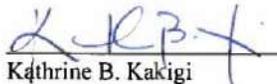
We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and

A – Management Representations Letter, continued

were, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of the Funds 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,

  
\_\_\_\_\_  
Irvin L. Slike  
General Manager

  
\_\_\_\_\_  
Kathrine B. Kakigi  
Comptroller

A – Management Representations Letter, continued

---

Appendices

A – Schedule of Uncorrected Misstatements

B – Schedule of Corrected Misstatements

C – Subsequent Events





A – Management Representations Letter, continued

Appendix C – Subsequent Events

Guam Solid Waste Operations Fund, Capital Projects Fund, and Debt Service Fund collectively referred to as the "Funds"  
 Subsequent Events Questionnaire Coverage For the period from October 1, 2021 to audit report date

Question
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?
2 Have there been any new significant contingent liabilities or commitments that arisen, except as disclosed in the financial statements?
3 Have there been any significant changes that occurred in trends of grant revenue or grants expense that could affect accounting estimates (e.g. valuation of receivables, provision for liabilities, or unearned income)?
4 Have there been any significant changes that 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?
5 Have there been any significant changes that occurred in the status of items, including contingent liabilities and commitments that were accounted for on the basis of tentative, preliminary or inconclusive data?
6 Were there any significant, unusual or nonrecurring adjustments that have been recorded (or are necessary)?
7 Were there any communications, written or oral, that occurred with the SEC or other regulatory agencies with which the entity files financial statements?
8 Were there any other events that 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?
9 Are you aware of any fraud or suspected fraud affecting the Funds 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?
10 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 the Funds?