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May 28, 2020

Board of Directors  
Guam Solid Waste Authority

Dear Board of Directors:

We have performed an audit of the financial statements of the Guam Solid Waste Authority (GSWA) Solid Waste Operations Fund, Capital Projects Fund, and Debt Service Fund, governmental funds of the Government of Guam (GovGuam), as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated May 28, 2020.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of GSWA is responsible.

This report is intended solely for the information and use of management, the Board of Directors, 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,

Cc: To Management of the Guam Solid Waste Authority

## **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated January 13, 2020. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the financial statements of the GSWA Solid Waste Operations Fund, Capital Projects Fund, and Debt Service Fund and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information as of and for the year ended September 30, 2019, in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole; and
- To report on GSWA’s internal control over financial reporting and on their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2019, based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to GSWA’s preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of GSWA’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GSWA’s internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

## **MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. No significant accounting estimates are reflected in GSWA’s 2019 financial statements.

## **UNCORRECTED MISSTATEMENTS**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A to Attachment II, a summary of uncorrected misstatements aggregated by us during the current engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## **AUDIT ADJUSTMENTS**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on GSWA's financial reporting process. Such adjustments, listed in Attachment I, have been recorded in the accounting records and are reflected in the 2019 financial statements.

## **SIGNIFICANT ACCOUNTING POLICIES**

GSWA's significant accounting policies are set forth in Note 1 to GSWA's 2019 financial statements. During the year ended September 30, 2019, there were no significant changes in previously adopted accounting policies or their application.

We have evaluated the significant qualitative aspects of the Fund's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to GSWA's 2019 financial statements.

## **OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2019.

## **SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION**

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

In our judgment, we received the full cooperation of GSWA's management and staff and had unrestricted access to GSWA's senior management in the performance of our audit.

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of GSWA's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Funds are required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment II, a copy of the representation letter we obtained from management.

## **CONTROL-RELATED MATTERS**

We have issued a separate report to you, also dated May 28, 2020, concerning certain matters involving GSWA's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based on the audit performed in accordance with *Government Auditing Standards*. Although we have included management's written response to our findings, such responses have not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

**GovGuam Solid Waste Funds**  
**Summary of Corrected Misstatements**  
**September 30, 2019**

GL Code	Name	Debit	Credit
<b>1 AJE To reconcile interfund balances</b>			
136314100	DUE TO/FR GENERAL FUND	4,098,043.17	
136414100	DUE TO/FR GENERAL FUND	1,095,633.44	
336350100	TRANSFER IN - GF		4,098,043.17
336450100DT	TRANSFER IN - GF		1,095,633.44
	To reconcile interfund balances.	<u>5,193,676.61</u>	<u>5,193,676.61</u>
<b>2 AJE To adjust accrued expenditures</b>			
5416-10CD-CE203-230	SWMA OPERATIONS		161,031.60
141621590	ACCRUED EXPENDITURES	161,031.60	
	To adjust overstatement of accrued expenditures.	<u>161,031.60</u>	<u>161,031.60</u>
<b>3 AJE To accrue unrecorded expenditures</b>			
5416-10CD-CE203-230	SWMA OPERATIONS	412,806.36	
141621590	ACCRUED EXPENDITURES		412,806.36
	To accrue unrecorded expenditures.	<u>412,806.36</u>	<u>412,806.36</u>
<b>4 AJE To reclass expenditures to correct fund</b>			
125414100	DUE TO/FR GENERAL FUND	43,428.00	
5254-10CD-CE201-240	LANDFILL CONSTRUCTION		43,428.00
5416-10CD-CE203-240	SWMA OPERATIONS	43,428.00	
141614100	DUE TO/FR GENERAL FUND		43,428.00
	To correct fund presentation of expenditures.	<u>86,856.00</u>	<u>86,856.00</u>
<b>5 AJE To recognize bond issuance costs</b>			
5258-0660-BC242-290DT	GOB SERIES 2019 GSWA BOND FEES	481,613.00	
254-290DSF	TRANSFERS OUT TO DEBT SERVICE FUND	160,142.34	
325859999	BOND PROC-GOB SER2019 GSWA CIP		632,755.34
125414100	DUE TO/FR GENERAL FUND		9,000.00
	To recognize gross bond proceeds.	<u>641,755.34</u>	<u>641,755.34</u>

We have reviewed the adjustments above and authorize that they be recorded in the general ledger as of September 30, 2019. The adjustment is the result of an error and is not the result of fraud or illegal acts.



Gaudencio Rosario

Digitally signed by  
Gaudencio Rosario  
Date: 2020-05-29  
12:52+10:00

Signed:

\_\_\_\_\_  
Gaudencio Rosario  
Deputy Finance Manager

Signed:



\_\_\_\_\_  
Kathrine Kakigi  
GSWA - Comptroller



**EDWARD M. BIRN**  
Director (Direktot)

**EDITH C. PANGELINAN**  
Deputy Director (Sigundo Direktot)

**DEPARTMENT OF  
ADMINISTRATION**  
DIPATTAMENTON ATMENESTRASION

DIRECTOR'S OFFICE  
(Ufisinan Direktot)

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**LOURDES A. LEON GUERRERO**  
Governor (Maga'hága)

**JOSHUA F. TENORIO**  
Lt. Governor (Sigundo Maga'íahi)

May 28, 2020

Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning GU 96913

We are providing this letter in connection with your audit of the financial statements of the Guam Solid Waste Authority (GSWA) Solid Waste Operations Fund (Fund 416), Capital Projects Fund (Fund 254 and 258), and Debt Service Fund (Fund 363 and 364), governmental funds of the Government of Guam (GovGuam), which comprise the balance sheet as of September 30, 2019, and the related statement of revenues, expenditures, and changes in fund balances for the year ended September 30, 2019, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and results of operations of GSWA in accordance with accounting principles generally accepted in the United States of America (GAAP). The GovGuam Department of Administration (DOA) is responsible for establishing and managing these funds on behalf of GSWA.

We confirm that DOA and GSWA are responsible for the following:

- a. DOA. The preparation and fair presentation in the financial statements of financial position and results of operations of GSWA in accordance with GAAP.
- b. DOA. The fair presentation of the additional information accompanying the financial statements that is presented for the purpose of additional analysis of the financial statements.
- c. GSWA. 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
  - To prevent and detect fraud.
- d. DOA. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for general purpose financial statements obtained from the Government Finance Officers Association.

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.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in accordance with GAAP. In addition:
  - a. The financial statements present only GSWA transactions accounted for within the funds established and managed by DOA and are not intended to present the financial position and results of operations of GovGuam in accordance with GAAP.
  - b. Deposits are properly classified in the category of custodial credit risk.
  - c. Required supplementary information is measured and presented within prescribed guidelines.
  - d. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - e. The financial statements properly classify all funds and activities, including special and extraordinary items.
  - f. GSWA has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.
  - g. Interfund, internal, and intra-Government activity and balances have been appropriately classified and reported.
  - h. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.
2. GSWA and DOA have provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. GSWA and DOA have made available to you:
  - a. All public laws as enacted by the Guam Legislature that pertain to GSWA.
  - b. All financial records and related data for all financial transactions of GSWA and for all funds administered by DOA on behalf of GSWA. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds established and managed by DOA related to GSWA and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
  - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
  - a. Action taken by GSWA and DOA management that contravenes the provisions of federal laws, or Guam laws, and laws and regulations, or of contracts and grants applicable to GSWA.

- b. Communications with 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.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
6. GSWA has not performed a formal risk assessment, including the assessment of the risk that the financial statements of GSWA may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in GSWA and do not believe that the financial statements of GSWA are materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud affecting GSWA involving:
- a. Management.
  - b. Employees who have significant roles in GSWA's internal control.
  - c. Others, where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting GSWA's financial statements communicated by employees, former employees, analysts, regulators, or others.
9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*, except as disclosed in Note 6 to the financial statements.
10. Significant assumptions used by us in making accounting estimates are reasonable.
11. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
12. During the year ended September 30, 2019, GSWA implemented the following pronouncements:
- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
  - GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on the financial statements.

13. In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

14. In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.
15. In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.
16. In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
17. In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

Except where otherwise stated below, matters less than \$200,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. These amounts are not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.


18. Except as listed in Appendix A, there are no transactions that have not been recorded and reflected in the financial statements.
19. GSWA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
20. Regarding related parties:
  - a. We have disclosed to you the identity of GSWA's related parties and all the related party relationships and transactions of which we are aware.
  - b. To the extent applicable, related parties and all related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

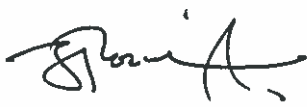


21. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
  - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.
22. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
  - a. The concentration exists at the date of the financial statements.
  - b. The concentration makes GSWA vulnerable to the risk of a near-term severe impact.
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
23. There are no:
  - a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as discussed in Note 6 to the financial statements.
24. GSWA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as discussed in Notes 2 and 3 to the financial statements.
25. GSWA has complied with aspects of contractual agreements that may affect the financial statements.
26. No department or agency of GSWA has reported a material instance of noncompliance to us.
27. GSWA has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.
28. Other than those described in Note 8 to the financial statements, no events have occurred after September 30, 2019, but before May 28, 2020, the date the financial statements were issued that requires consideration as adjustments to or disclosures in the financial statements.
29. Regarding required supplementary information:
  - a. We confirm that we are responsible for the required supplementary information.

- b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
30. Regarding supplementary information:
- a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
31. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
32. Management of GSWA believes that it is in compliance with all significant limitations and restrictions of the 2016 Series A Limited Obligation (Section 30) Bonds and 2019 Series A General Obligation Bonds as of September 30, 2019.
33. Tax-exempt bonds issued have retained their tax-exempt status.
34. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.

Very truly yours,

  
\_\_\_\_\_  
Edward M. Birn  
Director  
Department of Administration

  
\_\_\_\_\_  
Gaudencio "Goody" Rosario  
Deputy Financial Manager  
Division of Accounts  
Department of Administration



# GUAM SOLID WASTE AUTHORITY

**LOURDES A. LEON GUERRERO**  
Governor of Guam

**JOSHUA F. TENORIO**  
Lt. Governor of Guam

**LARRY J. GAST**  
General Manager



May 28, 2020

Deloitte & Touche LLP  
361 South Marine Corps Drive  
Tamuning GU 96913

## Hafa Adai!

We are providing this letter in connection with your audit of the financial statements of the Guam Solid Waste Authority (GSWA) Solid Waste Operations Fund (Fund 416), Capital Projects Fund (Fund 254 and 258), and Debt Service Fund (Fund 363 and 364), governmental funds of the Government of Guam (GovGuam), which comprise the balance sheet as of September 30, 2019, and the related statement of revenues, expenditures, and changes in fund balances for the year ended September 30, 2019, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and results of operations of GSWA in accordance with accounting principles generally accepted in the United States of America (GAAP). The GovGuam Department of Administration (DOA) is responsible for establishing and managing these funds on behalf of GSWA.

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of financial position and results of operations of GSWA in accordance with GAAP.
- b. The fair presentation of the additional information accompanying the financial statements that is presented for the purpose of additional analysis of the financial statements.
- c. 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
  - To prevent and detect fraud.
- d. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for general purpose financial statements obtained from the Government Finance Officers Association.

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.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in accordance with GAAP. In addition:
  - a. The financial statements present only GSWA transactions accounted for within the funds established and managed by DOA and are not intended to present the financial position and results of operations of GovGuam in accordance with GAAP.
  - b. Deposits are properly classified in the category of custodial credit risk.
  - c. Required supplementary information is measured and presented within prescribed guidelines.
  - d. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - e. The financial statements properly classify all funds and activities, including special and extraordinary items.
  - f. GSWA has followed GASB Codification Section 1800.178 regarding which resources (restricted, committed, assigned, or unassigned) are considered to be spent for expenditures to determine the fund balance classifications for financial reporting purposes.
  - g. Interfund, internal, and intra-Government activity and balances have been appropriately classified and reported.
  - h. Fund balance restrictions, commitments, and assignments are properly classified and, if applicable, approved.
2. GSWA and DOA have provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. GSWA and DOA have made available to you:
  - a. All public laws as enacted by the Guam Legislature that pertain to GSWA.
  - b. All financial records and related data for all financial transactions of GSWA and for all funds administered by DOA on behalf of GSWA. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds established and managed by DOA related to GSWA and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

- c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
  - a. Action taken by GSWA and DOA management that contravenes the provisions of federal laws, or Guam laws, and laws and regulations, or of contracts and grants applicable to GSWA.
  - b. Communications with 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.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
6. GSWA has not performed a formal risk assessment, including the assessment of the risk that the financial statements of GSWA may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in GSWA and do not believe that the financial statements of GSWA are materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud affecting GSWA involving:
  - a. Management.
  - b. Employees who have significant roles in GSWA's internal control.
  - c. Others, where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting GSWA's financial statements communicated by employees, former employees, analysts, regulators, or others.
9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification Section C50, *Claims and Judgments*, except as disclosed in Note 6 to the financial statements.
10. Significant assumptions used by us in making accounting estimates are reasonable.
11. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

12. During the year ended September 30, 2019, GSWA implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on the financial statements.

13. In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.
14. In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.
15. In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.
16. In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.



17. In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

Except where otherwise stated below, matters less than \$200,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. These amounts are not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

18. Except as listed in Appendix A, there are no transactions that have not been recorded and reflected in the financial statements.
19. GSWA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
20. Regarding related parties:
  - a. We have disclosed to you the identity of GSWA's related parties and all the related party relationships and transactions of which we are aware.
  - b. To the extent applicable, related parties and all related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
21. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
  - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.
22. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
  - a. The concentration exists at the date of the financial statements.
  - b. The concentration makes GSWA vulnerable to the risk of a near-term severe impact.

- c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
23. There are no:
  - a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*, except as discussed in Note 6 to the financial statements.
24. GSWA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as discussed in Notes 2 and 3 to the financial statements.
25. GSWA has complied with aspects of contractual agreements that may affect the financial statements.
26. No department or agency of GSWA has reported a material instance of noncompliance to us.
27. GSWA has identified all derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*, and appropriately recorded and disclosed such derivatives in accordance with GASB Codification Section D40.
28. Other than those described in Note 8 to the financial statements, no events have occurred after September 30, 2019, but before May 28, 2020, the date the financial statements were issued that requires consideration as adjustments to or disclosures in the financial statements.
29. Regarding required supplementary information:
  - a. We confirm that we are responsible for the required supplementary information.
  - b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.



30. Regarding supplementary information:
- a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
31. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
32. Management of GSWA believes that it is in compliance with all significant limitations and restrictions of the 2016 Series A Limited Obligation (Section 30) Bonds and 2019 Series A General Obligation Bonds as of September 30, 2019.
33. Tax-exempt bonds issued have retained their tax-exempt status.
34. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.

Very truly yours,

  
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Larry J. Gast  
General Manager  
Guam Solid Waste Authority

  
\_\_\_\_\_  
Kathrine B. Kakigi  
Comptroller  
Guam Solid Waste Authority

**Solid Waste Operations Fund  
Appendix A  
Summary of Uncorrected Misstatements  
September 30, 2019**

	Assets		Liabilities		Equity		Income	
	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)	Dr.	(Cr.)
To correct misstatement of tipping fees receivable and accounts payable	120,088			(120,088)				
To correct understatement of allowance for doubtful accounts		(252,452)					252,452	
	120,088	(252,452)	-	(120,088)	-	-	252,452	-