

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

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Year ended September 30, 2023





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June 12, 2024

The Board of Directors
Guam Waterworks Authority
Ste 200, Gloria B. Nelson Public Service Building
Tamuning, Guam, 96931

We have performed an audit of the financial statements of Guam Waterworks Authority (the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2023, 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 June 12, 2024.

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

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Board of Directors (the Board) with additional information regarding the scope and results of the audit that may assist the Board in overseeing the financial reporting and disclosure processes which the management of the Authority is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated August 30, 2022 and at our audit planning meeting with management.

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

The financial statements, required supplementary information and supplementary information are the responsibility of the Authority's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

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

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

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

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

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

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

Management has not selected or changed any significant policies or changed the application of those policies in the current year.

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

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

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

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

None.

Significant unusual transactions

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

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

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

Material corrected misstatements related to accounts and disclosures

Refer to “Management Representations Letter” in Appendix A.

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

Refer to “Management Representations Letter” in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

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 October 2023 meeting and in the update status meetings during the audit.

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. 102

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

We are not aware of any matters that require communication.

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

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

Management’s consultations with other accountants

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

Other material written communications with management

None.

Other matters

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

AICPA ethics ruling regarding third-party service providers

There are no significant matters arising from the audit that required us to subcontract portions of the Audit Services to other EY firms and that required participation of personnel from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers.

Representations from management

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

Engagement team's involvement with preparation of the financial statements

Under GAS 2018 Revision, Chapter 3 Ethics, Independence and Professional Judgment, Paragraph 3.73-74 Provision of Nonaudited Services to Audited Entities explains that the audit team should make consideration of management's ability to effectively oversee the non-audit services to be provided. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

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

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

This communication is intended solely for the information and use of the Board of Directors and management and 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 – Management Representations Letter

A – Management’s Representation Letter

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June 12, 2024

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

In connection with your audit of the basic financial statements of Guam Waterworks Authority (the Authority), a component unit of the Government of Guam, as of September 30, 2023 and 2022 and for the years then ended, and the related notes to the financial statements, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Authority and the respective changes in financial position and cash flows of the Authority in accordance with accounting principles generally accepted in the United States of America (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 August 30, 2022, for the preparation and fair presentation of the financial statements (including disclosures) in accordance with US GAAP applied on a basis consistent with that of the preceding year.

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

We acknowledge our responsibility for the design, implementation and maintenance of the system 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:

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- 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

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

From August 18, 2023 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 B.

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 A.

Internal control

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

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

There have been no significant changes in internal control since September 30, 2023.

A – Management’s Representation Letter, continued

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Minutes and contracts and internal audit reports

The dates of meetings of shareholders, directors, committees of directors and important management committees after October 1, 2023 are as follows:

| <u>Date of meeting</u> | <u>Type</u> |
|------------------------|-------------|
| October 25, 2022 | Regular |
| November 29, 2022 | Regular |
| January 12, 2023 | Special |
| January 24, 2023 | Regular |
| February 21, 2023 | Regular |
| March 30, 2023 | Regular |
| April 25, 2023 | Regular |
| May 30, 2023 | Special |
| July 3, 2023 | Special |
| August 29, 2023 | Regular |
| September 1, 2023 | Special |
| September 27, 2023 | Regular |
| October 24, 2023 | Special |
| October 31, 2023 | Regular |
| November 1, 2023 | Special |
| November 28, 2023 | Regular |
| January 23, 2024 | Regular |
| February 27, 2024 | Regular |
| March 26, 2024 | Regular |

We have made available to you all minutes of the meetings of shareholders, directors and committees 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.

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.

A – Management’s Representation Letter, continued

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Environmental liabilities

We have disclosed to you all significant pollution remediation matters and have made available to you all significant relevant information related to them. The pollution remediation obligations included in the statement of net position represent our best estimate of the potential losses in accordance with GASB Statement No. 49—as amended. The disclosures of pollution remediation matters in the financial statements are in accordance with GASB Statement No. 49—as amended.

Ownership and pledging of assets

Except for right-to-use another entity’s nonfinancial asset (the underlying asset), the Authority has satisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Authority has satisfactory title appear in the statements of net position.

Receivables and revenues

Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62—as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position dates in respect of any sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at those dates.

Leases

We have identified and accounted for all contracts that meet the criteria to be accounted for as a lease under GASB Statement No. 87—as amended. We have appropriately considered any modifications, termination or purchase options in the contract.

Long-lived assets (asset groups) to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets (asset groups) to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

A – Management’s Representation Letter, continued

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Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

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.

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

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, *Contingencies*, nor are there any accruals for loss contingencies included in the balance sheet 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, 2023, the Authority had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

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

A – Management’s Representation Letter, continued

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

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

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

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 no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which 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 the Authority’s affiliates, as defined in the AICPA Code of Professional Conduct, officers and directors, or individuals who serve in such capacity for the Authority .

We are not aware of any business relationship between the Authority and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an “EY Firm”), other than one pursuant to which an EY Firm performs professional services.

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’s policy.

Effects of new accounting principles

We have not completed the process of evaluating the effects that will result from adopting the amendments to the following, as discussed in Note 2:

- GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*
- GASB issued Statement No. 101, *Compensated Absences*
- GASB Statement No. 102, *Certain Risk Disclosures*

A – Management’s Representation Letter, continued

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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 statement is adopted.

Pension benefits

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

Postemployment benefits other than pensions

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

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the management’s discussion and analysis on pages 5 through 24, schedule of the proportionate share of the net pension liability on pages 66 through 68, the schedule of contributions on page 69, the schedule of the proportionate share of the net OPEB liability on page 70 and the schedule of contributions on page 71, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

We believe that the separate presentation of the schedule of changes in total pension liability and related ratios related to GASB statement No. 73 is not significant. The required information is combined with schedules required under GASB Statement No. 68.

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “supplementary information”)

- Schedule of Certain Operating and Maintenance Expenses
- Schedule of Construction Work in Progress
- System Development Charge Fund Schedules of Net Position, Revenue, Expenses and Changes in Net Position
- Schedule of Operating Revenues
- Schedule of Employee and Other Data

A – Management’s Representation Letter, continued

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

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

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

Other matters

We have received a draft copy of our financial statements as of and for the years ended September 30, 2023 and 2022. The accuracy and completeness of the financial statements, including footnote disclosures, are our responsibility.

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

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

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

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

We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.

We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.

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.

Provisions for uncollectible receivables have been properly identified and recorded.

A – Management’s Representation Letter, continued

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

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.

Subsequent events

Subsequent to September 30, 2023 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’s affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and, where applicable, cash flows of the Authority.


* * * * *

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



Joseph T. Duenas
Chairman, Consolidated Commission on Utilities



Miguel C. Bordallo, P.E.
General Manager



Taling M. Taitano, CPA, CGFM, CGMA
Chief Financial Officer

A – Management’s Representation Letter, continued

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Appendices

- A - Schedule of Corrected Misstatements
- B - Schedule of Uncorrected Misstatements
- C - Subsequent Events

A – Management’s Representation Letter, continued

Communication schedule for corrected misstatements

| Entity: | | Guam Waterworks Authority (GWA) | | Period ended: | | 30-Sep-2023 | | Currency: | | USD | |
|--|----------|--|----------------|--------------------|---------------------|-------------------------|-------------------|----------------------------------|---|----------------|---|
| Corrected misstatements | | Analysis of misstatements Debit/(Credit) | | | | | | | | | |
| No. | W/P ref. | Account | Assets Current | Assets Non-current | Liabilities Current | Liabilities Non-current | Equity components | Effect on the current period OCI | Income statement effect of the current period | Non taxable | |
| (misstatements are recorded as journal entries with a description) | | | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | |
| 1 | P1 | To record the adjustment to pension amounts based on the September 30, 2022 audited pension schedules. | | | | | | | | | |
| | | Deferred Inflows of resources: Pension | | | | 2,166,926 | | | | | |
| | | Deferred Outflows of resources: Pension | | 10,923,021 | | | | | | | |
| | | Net Pension Liability | | | | (13,364,363) | | | | | |
| | | Operating costs and expenses: Personnel services | | | | | | | | 274,416 | X |
| 2 | P2 | To record the adjustment to OPEB amounts based on the September 30, 2022 audited OPEB schedules. | | | | | | | | | |
| | | Deferred Outflow - OPEB | | | | (12,708,008) | | | | | |
| | | Deferred Inflow - OPEB | | (17,440,555) | | | | | | | |
| | | Total collective OPEB liability | | | | 29,087,194 | | | | | X |
| | | Other Income (expense) - OPEB Expense | | | | | | | | 1,061,369 | |
| 3 | P | To recognize revenue from Sewer Loan Grant | | | | | | | | | |
| | | Other liabilities | | | | 2,060,048 | | | | | X |
| | | Non-operating revenue: Grants from local government | | | | | | | | (2,060,048) | |
| Total of corrected misstatements before income tax | | | 0 | (6,517,534) | 2,060,048 | 5,181,749 | 0 | 0 | | (724,263) | |
| Financial statement amounts | | | 104,573,909 | 1,110,736,634 | (44,635,457) | (836,160,752) | (334,514,334) | | | 1,200,367 | |
| Effect of corrected misstatements on F/S amounts | | | 0.0% | -0.6% | -4.6% | -0.6% | 0.0% | | | -60.3% | |

SAD corrected-Client Comm

A – Management’s Representation Letter, continued

| Communication schedule for uncorrected misstatements | | | | | | | | | | |
|--|---|--|--|---|---|----------------------------------|--|--|-------------|-------------|
| Entity: <u>Guam Waterworks Authority (GWA)</u> Period Ended: <u>30-Sep-2023</u> Currency: <u>USD</u> | | | | | | | | | | |
| Uncorrected misstatements 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 | | 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) | Income statement effect of the current period Debit/(Credit) | Income statement effect of the prior period Debit/(Credit) | Non-taxable | |
| Factual misstatements: | | | | | | | | | | |
| PY SAD 1 | To adjust the unrecorred receivable confirmation differences between GWA and GAA | | | | | | | | | |
| | Operating revenues | | | | | | | | | 210,636 |
| | Receivables, net | | | | | | | | | |
| SAD 3 P1 | To record the understatement of deferred outflow of resources as a result of difference between actual and expected contributions | | | | | | | | | |
| | Non-operating (income) expense: Other (income) expense | | | | | | | | | |
| | Deferred outflow of resources: Pension | | | (499,438) | | | | | | 499,438 |
| | | | | | | | | | | |
| SAD 1 C.02 | To account for funds already cleared in the BOG 0170 Account prior to year-end. | | | | | | | | | |
| | Revenue Fund (BOG) | 789,271 | | | | | | | | |
| | Receivables | | (790,466) | | | | | | | |
| | Administrative and general expense | | | | | | | | | 1,225 |
| Judgmental misstatements: | | | | | | | | | | |
| SAD 2 K.06.1 | To recognize exposure to impairment loss for the damaged assets during Super Typhoon Manar. | | | | | | | | | |
| | Impairment loss | | | | | | | | | |
| | Accum Depreciation P.I.S | | 584,912 | | | | | | | 584,912 |
| | Structure & Improve GP | | (1,151,431) | | | | | | | |
| | Structure & Improve SSPP | | (29,800) | | | | | | | |
| | Office Firm & Equip GP | | (1,500) | | | | | | | |
| PY SAD 2 | To reverse excessive bad debts expense and allowance for doubtful accounts recorded during the year. | | | | | | | | | |
| | Receivables, net | | | | | | | | | |
| | Bad debts expense | | | | | | | | | (1,671,000) |
| Total of uncorrected misstatements before income tax | | | | | | | | | | |
| | | 789,271 | (1,898,153) | | | | | | | (570,641) |
| Total of uncorrected misstatements | | | | | | | | | | |
| | | 789,271 | (1,898,153) | | | | | | | (570,641) |
| Financial statement amounts | | | | | | | | | | |
| | | 104,573,959 | 1,110,736,634 | (44,635,457) | (636,160,752) | (334,514,324) | | | | 23,294,252 |
| Effect of uncorrected misstatements on F/S amounts | | | | | | | | | | |
| | | 0.3% | -0.2% | 0.0% | 0.0% | 0.0% | | | | -2.4% |
| Memo: Total of non-taxable items (marked 'X' above) | | | | | | | | | | |
| | | | | | | | | | | 0 |
| Uncorrected misstatements before income tax | | | | | | | | | | |
| | | | | | | | | | | (570,641) |
| Less: Tax effect of misstatements at current year marginal rate | | | | | | | | | | |
| | | | | | | | 91.5% | | | 0 |
| | | | | | | | | | | (570,641) |

SAD Uncorrected-Client Comm

A – Management’s Representation Letter, continued

Communication schedule for uncorrected misstatements

Entity: Guam Waterworks Authority (GWA) Period Ended: 30-Sep-2023 Currency: USD

| Uncorrected misstatements No. W/P ref. | Account (Note 1) (misstatements are recorded as journal entries with a description) | Assets | | Liabilities | | Equity | | Income statement effect of the current period | | Income statement effect of the prior period | |
|--|---|---------------------------------------|---|---------------------------------------|---|------------------------------|-----------------------|---|-------------------------------|---|-------------------------------|
| | | Current Debit/(Credit) (Note 2) | Non-current Debit/(Credit) (Note 2) | Current Debit/(Credit) (Note 2) | Non-current Debit/(Credit) (Note 2) | Components Debit/(Credit) | OCI Debit/(Credit) | OCI Debit/(Credit) | Non taxable Debit/(Credit) | Prior period Debit/(Credit) | Non taxable Debit/(Credit) |
| Uncorrected misstatements in income tax | | | | | | | | | | | |
| Cumulative effect of uncorrected misstatements after tax but before turnaround | | | | | | | | | | | 0 |
| Turnaround effect of prior period uncorrected misstatements | | | | | | | | | | | 0 |
| Cumulative effect of uncorrected misstatements, after turnaround effect | | | | | | | | | | | 0 |
| Current year income before tax | | | | | | | | | | | 1,098,892 |
| Current year income after tax | | | | | | | | | | | 91.5% |
| Memo: Before tax | | | | | | | | | | | |
| All factual and projected misstatements: | | | | | | | | | | | |
| Judgmental misstatements (Note 3): | | | | | | | | | | | |
| Cumulative effect of uncorrected misstatements, after turnaround effect | | | | | | | | | | | 1,098,892 |
| Current year income before tax | | | | | | | | | | | 1,100,359 |
| Current year income after tax | | | | | | | | | | | 1,098,892 |
| Memo: Before tax | | | | | | | | | | | |
| All factual and projected misstatements: | | | | | | | | | | | |
| Judgmental misstatements (Note 3): | | | | | | | | | | | |
| Cumulative effect of uncorrected misstatements, after turnaround effect | | | | | | | | | | | 1,100,359 |
| Current year income before tax | | | | | | | | | | | 1,098,892 |
| Current year income after tax | | | | | | | | | | | 1,098,892 |

SAD Uncorrected-Client Comm

A – Management’s Representation Letter, continued

Guam Waterworks Authority
Subsequent Events Questionnaire
Coverage:

For the period from October 1, 2023 to auditor's report

| Question | Response Yes or No | If yes, please provide additional information |
|---|-----------------------|--|
| 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? | No | |
| 2 Have there been any new significant contingent liabilities or commitments arisen, except as disclosed in the financial statements? | No | |
| 3 Have there been any significant changes that occurred in trends of grant revenue or expense that could affect accounting estimates (e.g., valuation of receivables, provisions for liabilities or unearned income)? | No | |
| 4 Have there been any significant changes occurred, or are pending, in the capital accounts, long term debt, including debt covenants and compliance with them, or working capital, except as disclosed in the financial statements? | No | |
| 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? | No | |
| 6 Were there any significant unusual or non-recurring adjustments been recorded (or are necessary)? | No | |
| 7 Were there any communications, written or oral, occurred with the regulatory agencies (including Federal granting agencies and the Government of Guam or any of its agencies) with which the entity files financial statements or seeks federal assistance/grants form? | No | |
| 8 Were there any other events occurred, other than those disclosed in response to the previous questions or those reflected or disclosed in the financial statements that could have a material effect on the audited financial statements? | No | |
| 9 Are you aware of any fraud or suspected fraud affecting Guam Waterworks Authority 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? | No | |
| 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 Guam Waterworks Authority ? | No | |


Taling M. Taitano, Chief Financial Officer