

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

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

Year ended September 30, 2022





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August 25, 2023

The Board of Directors
Port Authority of Guam
1026 Cabras Highway Suite 201
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We have performed an audit of the financial statements of Port Authority of Guam (the Authority), a component unit of the Government of Guam, 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 August 25, 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 the Authority’s Board of Directors and management 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. However, this report is also a matter of public record.

Very truly yours,

REQUIRED COMMUNICATIONS

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

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

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 Authority.

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

None.

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 significant deficiencies and material weaknesses have been identified. We have identified certain deficiencies in the internal control during the course of our audit which have been included in our separately issued management letter dated August 25, 2023.

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 September 2022 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. 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

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 material disagreements with the Authority's management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

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

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 Authority 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

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 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 Authority.
- The preparation of the financial statements is based on the Authority's trial balance with the understanding that underlying books and records are maintained by the Authority's accounting department and that the final trial balance prepared by the Authority is complete.
- The Authority's Deputy Executive Manager and General Accounting Supervisor have the skill set to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Appendix

A – Management Representations Letter

A – Management’s Representation Letter



PORT OF GUAM
ATURIDAT / PUETTON GUAHAN
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Website: www.portguam.com



Lourdes A. Leon Guerrero
Governor of Guam
Joshua F. Tenorio
Lieutenant Governor

August 25, 2023

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 Port Authority of Guam (the Authority), a component unit of the Government of Guam, 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 business-type activities of the Authority and the respective changes in financial position and cash flows 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 October 26, 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 internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit

A – Management’s Representation Letter, continued

- 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 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 misstatements, summarized in the accompanying schedule, accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. Refer to Appendix A.

Corrected misstatements

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

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.

Minutes and contracts and internal audit reports

The dates of meetings of shareholders, directors, committees of directors and important management committees after October 1, 2022 are as follows:

| <u>Date of meeting</u> | <u>Type</u> |
|------------------------|-------------|
| October 21, 2021 | Regular |
| November 24, 2021 | Regular |
| December 23, 2021 | Regular |
| January 20, 2022 | Regular |
| February 24, 2022 | Regular |
| March 24, 2022 | Regular |

A – Management’s Representation Letter, continued

| <u>Date of meeting</u> | <u>Type</u> |
|------------------------|-------------|
| April 28, 2022 | Regular |
| June 16, 2022 | Regular |
| July 14, 2022 | Regular |
| August 30, 2022 | Regular |
| September 29, 2022 | Regular |
| October 27, 2022 | Regular |
| November 29, 2022 | Regular |
| December 29, 2022 | Regular |
| February 23, 2023 | Regular |
| April 6, 2023 | Regular |
| July 6, 2023 | 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.

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

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 except as

A – Management’s Representation Letter, continued

disclosed in the financial statements. All assets to which the Authority has satisfactory title appear in the statement 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 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.

Leases

Our calculation of the cumulative effect of initially applying GASB Statement No. 87—as amended as of the beginning of the period of implementation (i.e., on the effective date of GASB Statement No. 87—as amended) is in accordance with our accounting policies established under GASB Statement No. 87—as amended.

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.

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.

A – Management’s Representation Letter, continued

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.

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

Purchase commitments

At September 30, 2022, 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, 2022 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.

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 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

A – Management’s Representation Letter, continued

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.

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.

Independence

We have communicated to you the names of the Authority’s affiliates, 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.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Authority’s audit.

Conflicts of interest

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

Effects of new accounting principles

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. 91, *Conduit Debt Obligations*
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 99, *Omnibus 2022*
- GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*
- GASB Statement No. 102, *Compensated Absences*

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.

A – Management’s Representation Letter, continued

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 28, schedule of the proportionate share of the net pension liability on pages 60 through 62, the schedule of contributions on page 63, the schedule of the proportionate share of the net OPEB liability on page 64, the schedule of contributions on page 65 and the notes to required supplementary information on page 66, 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 Details of Operating Expenses
- Schedule of Summary of Salaries and Wages
- Schedule of Employees by Department

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.

A – Management’s Representation Letter, continued

Other matters

We have received a draft copy of our financial statements as of and for the years ended September 30, 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.

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.

A – Management’s Representation Letter, continued

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 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, except for the occurrence of super Typhoon Mawar, which is disclosed in the notes to the basic financial statements.

* * * * *

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,



Rory J. Respicio
General Manager



Jose B. Guevara III
Chief Financial Officer

A – Management’s Representation Letter, continued

Appendices

A – Schedule of Uncorrected Misstatements

B – Schedule of Corrected Misstatements

C – Subsequent Events Considerations

A – Management’s Representation Letter, continued

Appendix A – Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: Port Authority of Guam Period Ended: 30-Sep-2022 Currency: USD

| No. | WP ref. | Account (Note 1) | Analysis of misstatements | | | | Effect on the current period | | Income statement effect of prior period |
|---|---------|---|---------------------------|------------------------------|-------------------|-----|------------------------------|----------------|---|
| | | | Assets Current (Note 2) | Liabilities Current (Note 2) | Equity components | OCI | Debit/(Credit) | Debit/(Credit) | |
| Financial misstatements: | | | | | | | | | |
| P12 | | To adjust accrued leave to actual | | | | | | | |
| | | Accrued annual leave | | | | | | | |
| | | General expense | | | | | | | (11,485) |
| 3 | 14.7.4 | To record provision for the CSC case agreed to be settled | | | | | | | |
| | | General expense | | | | | | | |
| | | Security deposits and other payables | | | | | | | 120,000 |
| Judgmental misstatements: | | | | | | | | | |
| P171 | P0420 | To adjust the balance of deferred outflow of resources related to their net pension liability based on an independent recalculation | | | | | | | |
| | | Deferred outflow of resources, pension | | | | | | | |
| | | Pension expense | | | | | | | |
| | | | | | | | | | 127,142 |
| | | | | | | | | | X |
| 2 | P0600 | To adjust the balance of deferred outflow of resources related to the OPEB | | | | | | | |
| | | Consumer outflow of resources, OPEB | | | | | | | |
| | | Retiree healthcare costs and other benefits | | | | | | | |
| | | | | | | | | | X |
| | | | | | | | | | (152,747) |
| Total of uncorrected misstatements before income tax | | | | | | | | | (152,747) |
| Total of uncorrected misstatements | | | | | | | | | (152,747) |

A – Management’s Representation Letter, continued

Appendix A – Uncorrected Misstatements, continued

Communication schedule for uncorrected misstatements

Entity: Port Authority of Guam Period Ended: 30-Sep-2022 Currency: USD

| No. | Description | Assets | | Liabilities | | Equity | | Effect on tax | Income statement effect | Income statement effect |
|-----|--|--------------|--------------|--------------|---------------|--------------|-----------------------|---------------|-------------------------|-------------------------|
| | | Current | Non-current | Current | Non-current | Components | of the current period | | | |
| | | Debit/Credit | Debit/Credit | Debit/Credit | Debit/Credit | Debit/Credit | Debit/Credit | Debit/Credit | Debit/Credit | Debit/Credit |
| | (misstatements are recorded as journal entries with a description) | | | | | | | | | |
| | Financial statement amounts: | 85,587,294 | 237,052,577 | 10,503,020 | 2,562,297,713 | 176,581,040 | | | 102,796,142 | 7,482,273 |
| | Effect of uncorrected misstatements on FS amounts: | 0.0% | 0.1% | 1.4% | 0.0% | 0.0% | | | 1.3% | 14.9% |
| | Memo: Total of non-taxable items (marked "X" above) | | | | | | | | 272,852 | 0 |
| | Uncorrected misstatements before income tax | | | | | | | | 103,069 | 384,129 |
| | Less: Tax effect of misstatements at current year marginal rate | | | | | | | 1.3% | 0 | 0 |
| | Uncorrected misstatements in income tax | | | | | | | 0% | 0 | 0 |
| | Cumulative effect of uncorrected misstatements after tax but before turnaround | | | | | | | 1.3% | 103,069 | 384,129 |
| | Turnaround effect of prior period uncorrected misstatements: | | | | | | | | | |
| | All factual and projected misstatements: | | | | | | | | 103,069 | 384,129 |
| | Judgmental misstatements (Note 3): | | | | | | | | 113,053 | 13,529 |
| | Cumulative effect of uncorrected misstatements, after turnaround effect | | | | | | | 0.3% | 196,122 | 0 |
| | Current year income before tax | | | | | | | | 102,116,545 | |
| | Current year income after tax | | | | | | | | 102,013,492 | |

A – Management’s Representation Letter, continued

Appendix B – Corrected Misstatements

Communication schedule for corrected misstatements

Entity: Port Authority of Guam Period ended: 30-Sep-2022 Currency: USD

| No. | W/P ref. | Account | Assets | | Liabilities | | Equity components | | Income statement effect | | |
|--|----------|--|----------------|----------------|----------------|----------------|-------------------|----------------|-------------------------|----------------|--------------|
| | | | Current | Non-current | Current | Non-current | Debit/(Credit) | Debit/(Credit) | OCI | Debit/(Credit) | Non taxable |
| (misstatements are recorded as journal entries with a description) | | | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | |
| AJE 110100 | | To correct the adjustment for FY2020 AJE | | | | | 224,780 | | | | (224,780) |
| | | Invested net position | | | | | | | | | |
| | | Other income (expense), net | | | | | | | | | |
| AJE 210400 | | To record the adjustment to pension amounts based on the September 30, 2021 audited pension schedules | | | | | | | | | |
| | | Net pension liability | | | 11,377,852 | | | | | | |
| | | Deferred outflow of resources from pension | (5,788,810) | | | | | | | | |
| | | Deferred inflows of resources from pension | | (4,733,378) | | | | | | | (469,308) |
| | | Management and administration | | | | | | | | | (127,452) |
| | | Equipment maintenance | | | | | | | | | (123,562) |
| | | Transportation services | | | | | | | | | (94,276) |
| | | Staffing services | | | | | | | | | (74,961) |
| | | Terminal services | | | | | | | | | (48,395) |
| | | Facility maintenance | | | | | | | | | |
| AJE 310600 | | To adjust the OPEB balances based on the audited actuarial reports of KMS for Plan year ended September 30, 2021 | | | | | | | | | |
| | | Deferred inflows of resources from other post-employment benefits | | | 9,383,115 | | | | | | |
| | | Retiree healthcare costs and other benefits | | | | | | | | | 5,210,175 |
| | | Deferred outflow of resources from other post-employment benefits | (4,199,135) | | | | | | | | |
| | | Other post-employment benefits liability | | | | | | | | | (10,394,155) |
| RJE 110100 | | To reclassify the General Reserve Account to unrestricted cash | | | | | | | | | |
| | | Cash and cash equivalents - unrestricted | 27,101,659 | | | | | | | | |
| | | Cash and cash equivalents - restricted expendable | (27,101,659) | | | | | | | | |
| RJE 210100 | | To reclassify the current portion of lease receivables | | | | | | | | | |
| | | Lease receivable | 1,118,837 | | | | | | | | |
| | | Lease receivable, net of current portion | | (1,118,837) | | | | | | | |

A – Management’s Representation Letter, continued

Appendix B – Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: Port Authority of Guam Period ended: 30-Sep-2022 Currency: USD

| Corrected misstatements | Assets | | Liabilities | | Equity | | Effect on the | | Income statement effect | | |
|-------------------------|--------|--|----------------|----------------|----------------|----------------|----------------|----------------|-------------------------|-----------------------|---------|
| | No. | Account | Current | Non-current | Current | Non-current | components | current period | OCI | of the current period | Non |
| | | | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | Debit/(Credit) | taxable |
| | | (misstatements are recorded as journal entries with a description) | | | | | | | | | |
| | | Total of corrected misstatements before income tax | 1,118,857 | (11,088,582) | 0 | 5,833,334 | 224,785 | 0 | 0 | 4,109,422 | |
| | | Financial statement amounts | 93,587,264 | 237,094,377 | (9,003,082) | (295,297,713) | (28,381,046) | | | (12,016,945) | |
| | | Effect of corrected misstatements on FIS amounts | 1.2% | -4.7% | 0.0% | -1.9% | -0.9% | | | -34.2% | |

A – Management’s Representation Letter, continued

Appendix C – Subsequent Events Considerations

Port Authority of Guam

Subsequent Events Questionnaire

Coverage: For the period from October 1, 2022 to auditor's report

| Subsequent Event Considerations | |
|--|------|
| 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 Port Authority of Guam 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? | NONE |
| 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 Port Authority of Guam ? | NO |