

Management Letter

Guam Waterworks Authority

(A Component Unit of the Government of Guam)

Year ended September 30, 2024



May 26, 2025

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

In planning and performing our audit of the financial statements of the Guam Waterworks Authority (the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2024, 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, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

Amortization of Deferred Outflows of Resources – Bond Defeasance

Observation:

Upon reviewing the amortization schedule of deferred outflows of resources for defeasance of series bonds 2017 and 2020B, we noted that the impact of the partial refunding of such series bonds was not properly considered in the revised amortization schedule.

Recommendation:

Management should ensure that amortization schedules of the bonds properly reflect the impact of the bond refunding and recognize the catch-up adjustments for this transaction.

Timely Determination of the Service Date of Construction in Progress (CIP)

Observation:

Upon examination of the fixed asset register, we noted prior year CIP assets with service dates updated to have commenced in prior year due to late determination of such service dates.

Recommendation:

Management should timely determine the proper service date of the CIP assets to avoid inconsistencies with current and prior year balances. It should review the related Certificate of Payments (COPs) or other related documents for the proper total contract value, service dates, estimated time to complete and performance to date. The Authority should only transfer CIP to fixed asset when it is completed or substantially complete.

This communication is intended solely for the information and use of management and the Board of Directors of the Authority, others within the organization, and the Guam Office of Public Accountability, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst & Young LLP