

May 2, 2018

The Board of Directors  
Guam Economic Development Authority

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of Guam Economic Development Authority (GEDA) as of and for the year ended September 30, 2017, 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 2, 2018.

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 GEDA is responsible.

This report is intended solely for the information and use of the Board of Directors, the management of Guam Economic Development Authority and the Office of Public Accountability - 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,

*Deloitte & Touche LLP*

cc: To Management of Guam Economic Development Authority



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

Our responsibility under auditing standards generally accepted in the United States of America 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 August 17, 2017. 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 whether the statement of net position of GEDA as of September 30, 2017 and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended (the "financial statements"), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") and perform specified procedures on the required supplementary information for the year ended September 30, 2017.
- To express an opinion on whether the respective statements of fiduciary net position of the Guam Development Fund Act and the Agricultural Development Fund (collectively, the "Funds"), administered by GEDA, as of September 30, 2017 and the related statements of changes in fiduciary net position for the year then ended (collectively the "Fund financial statements"), are presented fairly, in all material respects, in accordance with generally accepted accounting principles.
- 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 GEDA's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2017 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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 GEDA'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 GEDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GEDA'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.

### **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. Significant accounting estimates reflected in GEDA's 2017 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2017, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

## AUDIT ADJUSTMENTS AND 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. 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 GEDA's financial reporting process. Such proposed adjustments and financial statement reclassification entries, listed as Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2017 financial statements.

In addition, listed in Appendices B and C to Attachment I, are summaries of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest and prior periods presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## OTHER INFORMATION IN THE ANNUAL REPORTS OF GEDA

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that GEDA issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GEDA's 2017 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

## SIGNIFICANT ACCOUNTING POLICIES

GEDA's significant accounting policies are set forth in Note 1 to GEDA's 2017 financial statements. During the year ended September 30, 2017, there were no significant changes in previously adopted accounting policies or their application, except for the adoption of the following pronouncements:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GEDA's fiscal year 2016 financial statements to reflect the reporting of pension liabilities, deferred inflows of resources and deferred outflows of resources for ad hoc COLAs and supplemental annuity payments and the recognition of pension expense in accordance with the provisions of GASB Statement No. 73. The 2016 financial statements were also restated, as follows, due to changes in actuarial assumptions and other inputs used to determine the pension liabilities, deferred inflows of resources and deferred outflows of resources for the qualified pension plan.

	As Previously Reported	Adjustment	As Restated
As of October 1, 2015:			
Net position	\$ (27,428,746)	\$ (239,572)	\$ (27,668,318)
For the year ended September 30, 2016:			
Operating expenses	\$ 3,381,212	\$ 164,632	\$ 3,545,844
Change in net position	\$ 267,908	\$ (164,632)	\$ 103,276
As of September 30, 2016:			
Deferred outflows from pensions	\$ 571,955	\$ 115,511	\$ 687,466
Net pension liability	\$ (4,668,169)	\$ (498,607)	\$ (5,166,776)
Net position	\$ (27,160,838)	\$ (404,204)	\$ (27,565,042)

## SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.
- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Except for GASB Statement No. 73, the implementation of these statements did not have a material effect on GEDA's financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on an actuarial valuation dated October 1, 2015, the net OPEB obligation that GEDA will record upon implementation of Statement 75 is anticipated to be \$2,057,131 as of September 30, 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In November 2016, GASB issued 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. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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.



## **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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.

We have evaluated the significant qualitative aspects of GEDA'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 GEDA's 2017 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 2017.

## **SIGNIFICANT FINDINGS OR 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.

## **OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board of Directors.

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

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



## **MANAGEMENT'S REPRESENTATIONS**

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

## **CONTROL-RELATED MATTERS**

We have issued a separate report to you, dated May 2, 2018, on GEDA'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 upon the audit performed in accordance with *Government Auditing Standards*.

We have communicated to management, in a separate letter also dated May 2, 2018, other matters related to GEDA's internal control over financial reporting that we identified during our audit.



**EDDIE BAZA CALVO**  
Governor of Guam  
I Maga'Lahen Guahan

**RAY TENORIO**  
Lt. Governor of Guam  
I Segundo Na Maga'lahen Guahan



**ATTACHMENT I**  
**JAY ROJAS**  
Administrator  
Adminastradot

**MANA SILVA TAIJERON**  
Deputy Administrator  
Sigundo Na Adminastradot

*Aturidād Inadilānton Ikunumihan Guahan*

May 2, 2018

Deloitte & Touche LLP  
361 South Marine Drive  
Tamuning, Guam 96913

We are providing this letter in connection with your audits of the statements of net position of the Guam Economic Development Authority (the Authority or GEDA) (a component unit of the Government of Guam), which also include the accounts of the Tobacco Settlement Authority (TSA) and the State Small Business Credit Initiative (SSBCI) as of September 30, 2017 and 2016, and the related statements of operations and net position and of cash flows for the years ended, and the statements of fiduciary net position of the Guam Development Fund Act (GDFA) and the Agricultural Development Fund (ADF) (together, the Funds) as of September 30, 2017 and 2016, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial positions, and results of operations and/or changes in net position or cash flows of the Authority and of the Funds in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position, results of operations, and cash flows of GEDA and the Funds, in conformity with GAAP.
- b. 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.
- c. The review and approval of the financial statements, accompanying schedules 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 the accounting policies generally accepted in the United States of America. Our review was based on the use of the Stand-alone Business-Type Activities Checklist by the Government Finance Officers Association. Additionally, we agreed with the adjusting and reclassification entries included in Appendix A.

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 audits.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
  - a. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
  - b. Deposits and investment securities are properly classified in the category of custodial credit risk.
  - c. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - d. Required supplementary information is measured and presented within prescribed guidelines.
  - e. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - f. Revenues and expenses are appropriately classified in or allocated to functions and programs in the statements of revenues, expenses and changes in net position within operating revenues, non-operating revenues and expenses.
  - g. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
2. GEDA has made available to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. GEDA has made available to you:
  - a. All minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared, as follows:

<u>Name</u>	<u>Date</u>	<u>Name</u>	<u>Date</u>
Regular Meeting	October 28, 2016	Regular Meeting	July 13, 2017
Regular Meeting	December 5, 2016	Regular Meeting	August 3, 2017
Regular Meeting	December 29, 2016	Regular Meeting	August 24, 201
Regular Meeting	January 26, 2017	Regular Meeting	September 28, 2017
Regular Meeting	February 16, 2017	Regular Meeting	October 20, 2017
Regular Meeting	March 30, 2017	Regular Meeting	November 22, 2017
Regular Meeting	April 20, 2017	Regular Meeting	January 18, 2018
Regular Meeting	May 10, 2017		





Minutes of meetings subsequent to January 18, 2018 have not been approved. We represent that there were not significant matters discussed during those meetings that would affect the September 30, 2017 financial statements.

- b. All financial records and related data for all financial transactions of GEDA and for all funds administered by GEDA. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by GEDA 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 GEDA's management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to GEDA and for all funds administered by GEDA.
  - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
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 B.
6. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior-year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2016 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix C.
7. Management has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Authority and do not believe that the financial statements are materially misstated as a result of fraud.
8. We have no knowledge of any fraud or suspected fraud GEDA involving:



- a. Management.
  - b. Employees who have significant roles in internal control over financial reporting.
  - c. Others, where the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting GEDA's financial statements communicated employees, former employees, analysts, regulators, or others.
10. There are no unasserted claims or assessments that we are aware of that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
11. Significant assumptions used by us in making accounting estimates are reasonable.
12. 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.
- Except where otherwise stated below, matters less than \$22,000 (GEDA), \$70,000 (GDFA) and \$6,000 (ADF) collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.
13. Except as listed in Appendices B and C, there are no transactions that have not been properly recorded and reflected in the financial statements.
14. GEDA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
15. Regarding related parties:
- a. We have disclosed to you the identity of GEDA'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 the 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.
16. In preparing the financial statements in conformity 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.

17. 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*.

18. GEDA 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 disclosed in the financial statements.

19. GEDA has complied with all aspects of contractual agreements that may affect the financial statements, including all requirements associated with the 2007 Series bonds.

20. No department or agency GEDA has reported a material instance of noncompliance to us.

21. 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.

22. Regarding supplementary information:

- a. We are responsible for the fair presentation of the supplementary information in accordance with GAAP



- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP
- c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.

23. During fiscal year 2017, GEDA implemented the following pronouncements:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GEDA's fiscal year 2016 financial statements to reflect the inclusion of COLAs and Supplemental Annuity Payments in the net pension liabilities and deferred inflows of resources, deferred outflows of resources for its qualified pension plan and pension expense in accordance with the provisions of GASB Statement No. 73. GEDA's net position as of October 1, 2015 and GEDA's statement of revenues, expenses and changes in net position for the year ended September 30, 2016 have been restated to reflect the required adjustments.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.





- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Except for GASB Statement No. 73, the implementation of these statements did not have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In November 2016, GASB issued 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. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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.



In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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.

24. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity:

- a. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied.
- b. The completeness and adequacy of the disclosures related to fair values are in conformity with GAAP.
- c. No events have occurred after September 30, 2017, but before May 2, 2018, the date the financial statements were available to be issued that require adjustment to the fair value measurements and disclosures included in the financial statements.

25. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.







26. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
27. 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.
28. GEDA is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
29. We believe that all expenditures that have been deferred to future periods are recoverable.
30. Except for the discount rate used to calculate total pension liability, we agree with the findings of management's expert contracted by the Government of Guam Retirement Fund for the actuarial evaluation of the Government of Guam's retirement plan and have adequately considered the qualifications of management's expert in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to management's expert with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's expert. The effect of assumption difference in discount rate used is recognized in the 2017 and 2016 financial statements.
31. Except for the discount rate used to calculate total pension liability, we believe that the actuarial assumptions and methods used to measure pension and postretirement liabilities and costs for financial accounting purposes are appropriate in the circumstances. The effect of assumption difference in discount rate used is recognized in the 2017 and 2016 financial statements. These amounts have been appropriately recognized and displayed as assets, liabilities, deferred inflows, deferred outflows, net position and changes in net position in the financial statements in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.
32. We have no intention of terminating our participation in the Government of Guam Retirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.
33. We agree with the findings of the expert contracted by the Government of Guam Retirement Fund for the actuarial evaluation of the Government of Guam's retirement plan. We did not give any instructions, nor cause any instructions to be given, to management's expert with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's expert.



- 34. GEDA has obligated, expended, received, and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Guam or federal law. Such obligation, expenditure, receipt, or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by Guam or federal law.
- 35. Money or similar assets handled by the Authority on behalf of the Government of Guam or Federal Government have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate, and in accordance with law.
- 36. No evidence of fraud or dishonesty in fiscal operations of programs administered by the Authority has been discovered.
- 37. In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of the Government of Guam, autonomous agencies, public corporations and other public instrumentalities of the Government of Guam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. GEDA has determined that it is not subject to the law as its employees are not classified and as such, has not paid or recorded any merit bonus through the date of this letter.
- 38. We have determined that recording of TSA receipts on a cash basis is appropriate as the annual payments are contingent on various factors and difficult to predict. Additionally, we do not believe that the net difference of recording of the receipts on a cash-basis and accrual basis is significant to GEDA's financial statements.
- 39. No events have occurred after September 30, 2017, but before May 2, 2018, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.

  
\_\_\_\_\_  
Jay Rojas  
Administrator

  
\_\_\_\_\_  
Mana Silva Taijeron  
Deputy Administrator

*For* Bernice Torres  
Administrative Services Division (ASD) Manager



**APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES**

<b>Audit Adjustments and Reclassifications</b>
--

**GEDA OPERATING FUND**

**Journal Entries - AJE**

#	Name	Debit	Credit
<b>1 AJE To adjust allowance for doubtful accounts.</b>			
8007	PROVISION FOR BAD DEBTS	41,705.00	
1205	Allow For Uncollect		41,705.00
		<u>41,705.00</u>	<u>41,705.00</u>
	To adjust allowance for doubtful accounts.		
<b>2 AJE To record PY restatement due to GASB68/73.</b>			
2230	PENSION LIABILITY (GASB 68)		696,027.00
2401	Deferred Inflows - Pension		21,108.00
1911	Deferred Outflows - Pensions	115,511.00	
4500	FUND BALANCE	601,624.00	
		<u>717,135.00</u>	<u>717,135.00</u>
	To record GASB68/73 Implementation restatement adjustment.		
<b>3 AJE To record GASB 68/73 adjustments at 9.30.17.</b>			
2230	PENSION LIABILITY (GASB 68)		101,701.00
7121	Employee Benefit - Retirement	200,182.00	
2401	Deferred Inflows - Pension		39,565.00
1911	Deferred Outflows - Pensions		58,916.00
		<u>200,182.00</u>	<u>200,182.00</u>
	To record GASB 68/73 adjustments at 09/30/2017.		
<b>4 AJE To record variance due to discount rate used.</b>			
2230	PENSION LIABILITY (GASB 68)	197,420.00	
4500	FUND BALANCE		197,420.00
		<u>197,420.00</u>	<u>197,420.00</u>
	To record net pension liability variance due to discount rate used.		

**Journal Entries - RJE**

#	Name	Debit	Credit
<b>1 RJE To correct deposits - GALC.</b>			
2016	Security Deposit - Lease		72,000.00
2017	Deposits due to GALC	72,000.00	
		<u>72,000.00</u>	<u>72,000.00</u>
	To correct deposit returned to GALC tenant erroneously posted in non-GALC deposits.		
<b>2 RJE To reclass QC revenue.</b>			
5300	OTHER REVENUE	358,726.16	
5120	QC Application/Surv./Other Fee		358,726.16
		<u>358,726.16</u>	<u>358,726.16</u>
	To reclass QC revenue		
<b>3 RJE To reclass HRRR transactions.</b>			
1455	Reimbursable Expense	173,511.69	
1401	DUE TO FROM GOVGUAM AGENCIES		173,511.69
		<u>173,511.69</u>	<u>173,511.69</u>
	To reclass HRRR FY17 transaction.		
<b>4 RJE To reclass to proper account.</b>			
5300	OTHER REVENUE	16,742.63	
8007	PROVISION FOR BAD DEBTS		16,742.63
		<u>16,742.63</u>	<u>16,742.63</u>
	To reclass to proper account.		
<b>5 RJE To present HOT bond reimbursements as operating revenue.</b>			
5300	OTHER REVENUE	469,175.00	
5300.1	Revenue - Others		469,175.00
		<u>469,175.00</u>	<u>469,175.00</u>
	To present as operating revenue account.		

**APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES**

<b>Audit Adjustments and Reclassifications</b>
--

**SSBCI FUND**

**Journal Entries - AJE**

#	Name	Debit	Credit
	<b>1 AJE To adjust unearned revenue.</b>		
2325	Unearned Grants Revenue	12,824,715.00	
DT 1001	Grants Revenue		12,824,715.00
		<u>12,824,715.00</u>	<u>12,824,715.00</u>
	To adjust remaining unearned revenue to grants revenue.		

**TSA FUND**

**Journal Entries - AJE**

#	Name	Debit	Credit
	<b>1 AJE To record FY2017 activities.</b>		
8100	Tobacco Settlement Revenue - Receipts		2,393,542.28
7240	Other Prof Svc/BRAC Related Ex	1,875.00	
8300	Interest Expense - Semi-Annual Payment	1,372,368.75	
6310A	Series 2007 A Bond Payable	980,000.00	
5100	Cash and Cash Equivalent	47,106.69	
8310	Trustee fees	10,231.21	
8110	Interest Income		5,587.48
8120	Other receipts		12,451.89
		<u>2,411,581.65</u>	<u>2,411,581.65</u>
	To record FY2016 transactions in 2007 series funds.		
	<b>2 AJE To amortize 2007 bond discount.</b>		
8303	Interest Expense - Issuance Discount Amortization	97,552.59	
6320	Discount on Bond Issuance		97,552.59
		<u>97,552.59</u>	<u>97,552.59</u>
	To amortize 2007 bond issuance discount.		
	<b>3 AJE To adjust accrued interest.</b>		
6120	Interest Payable	17,000.00	
8301	Interest Expense - Accrual Adjustment		17,000.00
		<u>17,000.00</u>	<u>17,000.00</u>
	To adjust accrued interest payable.		
	<b>4 AJE To amortize CAB discount.</b>		
8306	Interest Expense - Series B CAB Accretion	468,747.30	
6321	Discount on Bond Issuance - Capital Appreciation Bond		468,747.30
		<u>468,747.30</u>	<u>468,747.30</u>
	To Accret Series B CAB.		
	<b>5 AJE To record additional Lehman bankruptcy receipts.</b>		
6110	Accounts Payable		25,878.01
7801	Other expenses	25,878.01	
		<u>25,878.01</u>	<u>25,878.01</u>
	To adjust TSA expenses and other receipts.		

**Journal Entries - RJE**

#	Name	Debit	Credit
	<b>1 RJE To reclassify current portion of A term bond.</b>		
6310A	Series 2007 A Bond Payable		1,315,000.00
6110A	Current Portion of Series 2007 A	1,315,000.00	
		<u>1,315,000.00</u>	<u>1,315,000.00</u>
	To adjust current portion.		

**APPENDIX A - POSTED ADJUSTMENTS AND FINANCIAL STATEMENTS RECLASSIFICATION ENTRIES**

<b>Audit Adjustments and Reclassifications</b>
--

**G DFA FUND**

**Journal Entries - AJE**

#	Name	Debit	Credit
	<b>1 AJE To adjust allowance.</b>		
8007	PROVISION FOR BAD DEBTS		19,315.00
1330	ALLOW FOR DOUBTFUL ACCOUNTS		3,017.00
1340	INTEREST SUSPENSE ON D/L		
		<u>22,332.00</u>	
		<u>22,332.00</u>	<u>22,332.00</u>
	To adjust allowance		

**Journal Entries - RJE**

#	Name	Debit	Credit
	<b>1 RJE To reclass interest from loans.</b>		
5300	OTHER REVENUE	23,244.46	
5130	Interest - Loans		23,244.46
		<u>23,244.46</u>	<u>23,244.46</u>
	To reclass interest from loans erroneously posted in other revenue.		
	<b>2 RJE To reclass to proper asset account.</b>		
1782	Other asset	86,269.59	
1760	OTHER EQUIPMENT		86,269.59
		<u>86,269.59</u>	<u>86,269.59</u>
	To record asset for sale as other asset (not fixed asset).		

**ADF FUND**

**Journal Entries - AJE**

#	Name	Debit	Credit
	<b>1 AJE To adjust allowance for ADF loan reserve.</b>		
8007	PROVISION FOR BAD DEBTS	4,906.40	
1330	ALLOW FOR DOUBTFUL ACCOUNTS		5,948.12
5300	OTHER REVENUE	27,006.00	
8007	PROVISION FOR BAD DEBTS		27,006.00
1340	INTEREST SUSPENSE ON D/L	1,041.72	
		<u>32,954.12</u>	<u>32,954.12</u>
	To adjust allowance for ADF loan reserve and related bad debts expense.		

APPENDIX B - UNPOSTED ADJUSTMENTS AND FINANCIAL STATEMENT RECLASSIFICATION ENTRIES

Misstatement Description	Type of Misstatement	Balance Sheet			Income Statement
		Assets Dr (Cr)	Liabilities Dr (Cr)	Net Position Dr (Cr)	Revenue Expense Dr (Cr)
1. To reclass to proper account.	Factual	6,135	(6,135)		
2. To adjust reimbursable expense (GRRP).	Factual	(16,816)			16,816
		<u>(10,681)</u>	<u>(6,135)</u>	<u>0</u>	<u>16,816</u>



**ATTACHMENT I, CONTINUED**

**APPENDIX C - PRIOR YEAR ERRORS IDENTIFIED IN THE CURRENT YEAR**

Misstatement Description	Type of Misstatement	Balance Sheet			Income Statement
		Assets Dr (Cr)	Liabilities Dr (Cr)	Net Position Dr (Cr)	Revenue Expense Dr (Cr)
1. To accrue QC revenue (TIRMS '16 QC 248).	Factual	40,101			(40,101)
		<b>40,101</b>	-	-	<b>(40,101)</b>